

Annual Report *1998*

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HAROLD CRUMPTON
CONNIE MURRAY
ROBERT G. SCHEMENAUER
M. DIANNE DRAINER
Vice Chair

Missouri Public Service Commission

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DONNA M. KOLILIS
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

December 9, 1998

The Honorable Mel Carnahan
Governor
State Capitol Building
Jefferson City, Missouri 65101

Dear Governor Carnahan:

The Public Service Commission continued to face challenges and change in 1998. Our mission, however, remains constant; one of assuring that Missouri's utility customers have adequate, safe, efficient and affordable services. The Commission and staff are dedicated to fulfilling these public interest goals and to working with companies in an open and constructive manner.

We see progress in our efforts to open the local telecommunications market to competition as we implement both the state and federal laws. We continue to thoroughly study the possible impacts of opening the gas and electric industries to competition. Our guiding principle is that no one should be worse off under competition than under the traditional regulatory environment.

We have concluded a strategic plan as well as an information technology plan to help us better serve our customers as we approach the new century and a new millennium.

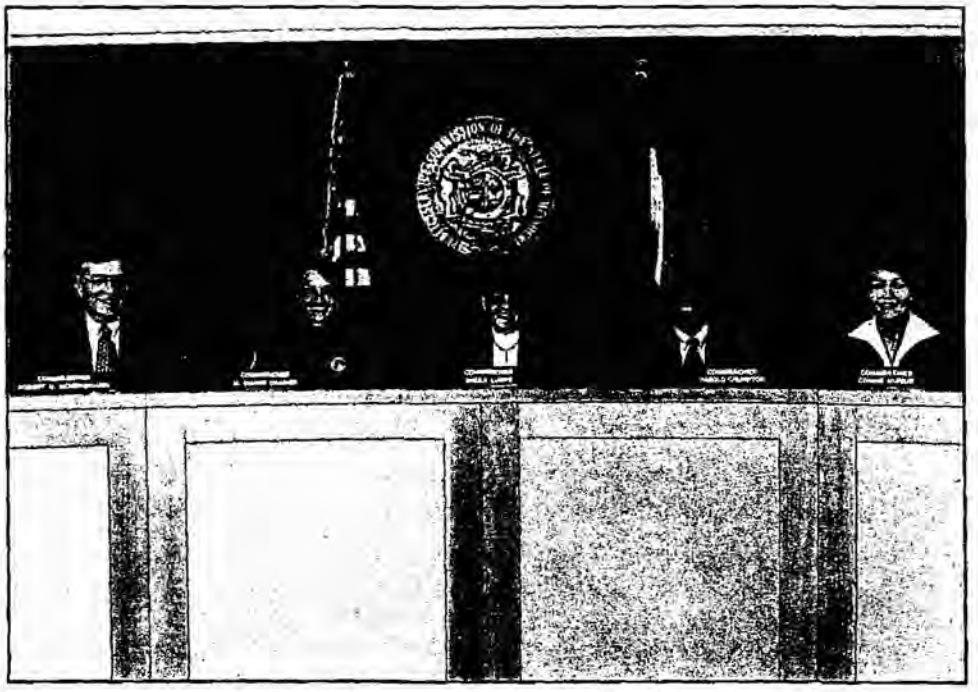
Our very professional staff, which has not increased in number, have found efficiencies and have used technology to keep up with our rapidly increasing case load. Their loyalty and hard work deserve recognition.

I hope that you will find our report informative. I am pleased to submit it to you in order that you can see, in more detail, the Commission's work for the 1998 fiscal year.

Sincerely,

Sheila Lumpe

Sheila Lumpe



From left to right, Commissioner Robert Schemenauer, Vice Chair M. Dianne Drainer, Chair Sheila Lumpe, Commissioner Harold Crumpton and Commissioner Connie Murray.

MISSOURI PUBLIC SERVICE COMMISSION

SHEILA LUMPE, CHAIR

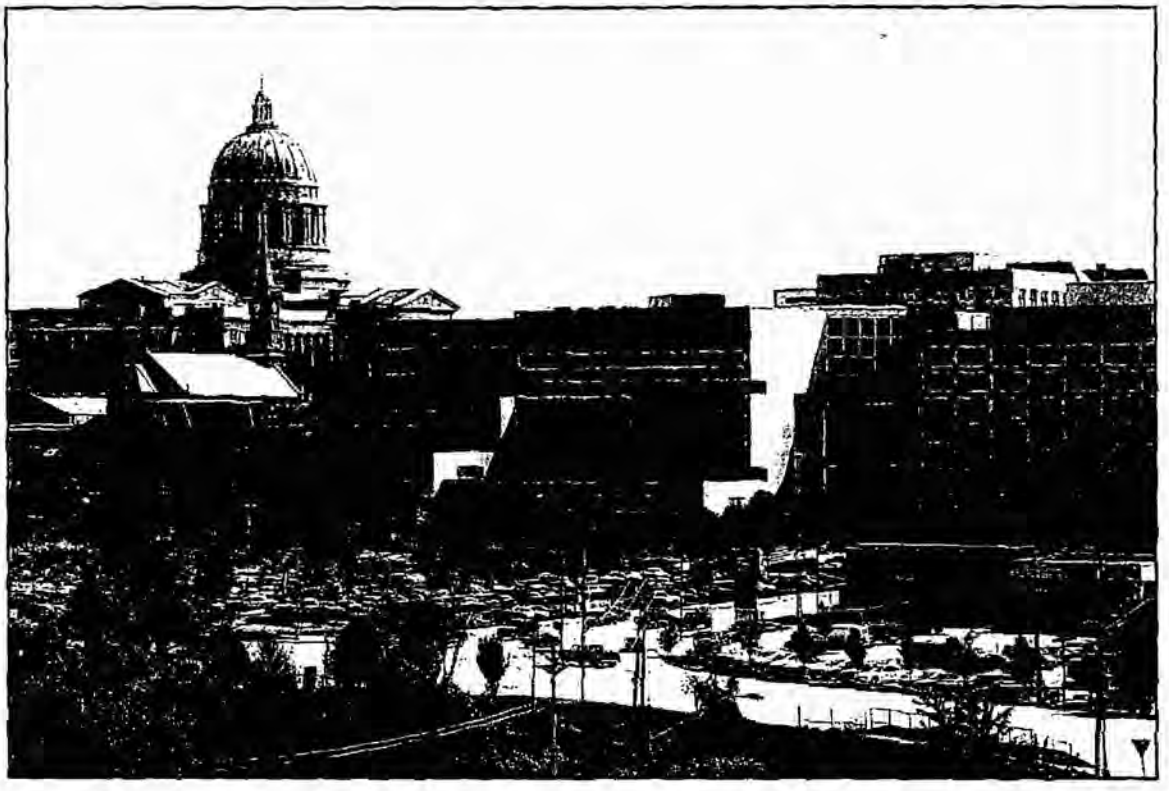
M. DIANNE DRAINER, VICE CHAIR

HAROLD CRUMPTON, COMMISSIONER

CONNIE MURRAY, COMMISSIONER

ROBERT SCHEMENAUER, COMMISSIONER

KARL ZOBRIST, COMMISSIONER



State Capitol complex including the Harry S. Truman State Office Building (center), Jefferson City, Missouri. Commission offices are located on the 5th and 8th floors.

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MISSION

The Public Service Commission regulates investor-owned public utilities operating in the State of Missouri. It is responsible for ensuring that consumers receive adequate amounts of safely delivered and reasonably priced utility services at rates that will provide the utility companies' shareholders the opportunity to earn a reasonable return on their investment. The Commission must balance a variety of competing private interests to ensure the overall public interest.

JURISDICTION AND GOALS

The PSC was established in 1913 by the Public Service Commission Law, now Chapter 386 of the Missouri Revised Statutes. The PSC regulates the rates, practices and operations of the state's 977 investor-owned electric, natural gas, telephone, water and sewer utilities. The Commission also regulates the state's 48 rural electric cooperatives and 42 municipally-owned natural gas utilities for operational safety, and the manufacturers and dealers of mobile/ modular homes and recreational vehicles. The Missouri PSC is the only public utility commission in the United States that regulates manufactured housing.

The Commission oversees service territory issues involving rural electric cooperatives and municipally-owned electric utilities. The PSC also acts as mediator and arbitrator of local telephone service disputes regarding interconnection agreements in accordance with federal law.

Virtually every Missouri citizen receives some form of utility service from an investor-owned public utility company. Historically, these utilities have provided service under a monopoly granted to them by law. Although recent changes in federal and state law introduce competition into the local telephone market, that market remains today a de facto monopoly. Utilities providing natural gas, electric, water and sewer service continue as legally franchised monopolies. Utility services and infrastructure are essential to the economy of Missouri. They provide heating and cooling during extreme temperatures. They offer access to emergency services and vital information systems. They provide safe drinking water and assure the environmentally sound disposal of wastewater. Because utilities fulfill these essential needs, the Commission must assure the ratepaying public that quality services will be available on a nondiscriminatory basis at just and reasonable rates.



Commissioners thoroughly review the record as they reach decisions during Agenda sessions.

COMMISSIONERS

The Commission consists of five commissioners who are appointed by the Governor with the advice and consent of the Missouri Senate. The Governor designates one member as the Chairman who serves in that capacity at the pleasure of the Governor.

Commissioners are appointed to six-year terms. These terms are staggered so no more than two terms expire in any given year.

The Commission is both quasi-judicial and quasi-legislative. The Commission is responsible for deciding cases brought before it and for the promulgation of administrative rules and their enforcement. Many of the Commission's duties are per-

formed by conducting hearings in contested cases, which by statute must be transcribed by a court reporter. Hearings are conducted in a trial-like atmosphere using evidentiary standards under the Missouri Administrative Procedure Act. The PSC must render decisions in a timely manner to afford all parties procedural and substantive due process, and to comply with statutory time limits.

THE PSC STAFF

The Commission is assisted by its staff of professionals in the fields of engineering, management, accounting, law, finance, economics, and consumer affairs. Duties range from helping individual consumers with complaints to investigating multi-million dollar utility rate requests.

The Staff participates as a party in cases filed before the PSC. It conducts audits of utilities and makes recommendations to the Commission. The recommendations of the PSC Staff, like those filed by other parties to a proceeding, are used by the Commission in reaching a decision in a complaint or rate case. The PSC has established standards for safety and quality of service to which companies must adhere. Routine and special investigations of utilities are conducted by the Staff to ensure compliance.

PSC STRATEGIC PLANNING

Missourians expect state government to provide high-quality services in an effective, cost-efficient manner. To meet citizen expectations, the Public Service Commission has prepared a strategic plan to guide service delivery over the next three years.

All Commission work will be consistent with its vision statement...an expression that paints a picture of the desired future for Missouri utility ratepayers:

"Informed consumers, quality utility services and a dedicated organization for Missourians in the 21st century."

The Commission's *mission statement* describes, in shorthand, how the agency will work toward achieving its vision. Every action and decision should be in harmony with the mission statement.

The mission of the Missouri Public Service Commission is to:

- Ensure that Missourians receive safe, reliable utility service at just, reasonable and affordable rates;
- Support economic development, through either traditional, "rate of return" regulation or through competition, as required by law;
- Establish standards for competition that will maintain or improve the quality of services provided to Missourians;
- Provide citizens with the information they need to make educated utility choices;
- Provide an efficient regulatory process that is responsive to all parties; and
- Perform its duties ethically and professionally.



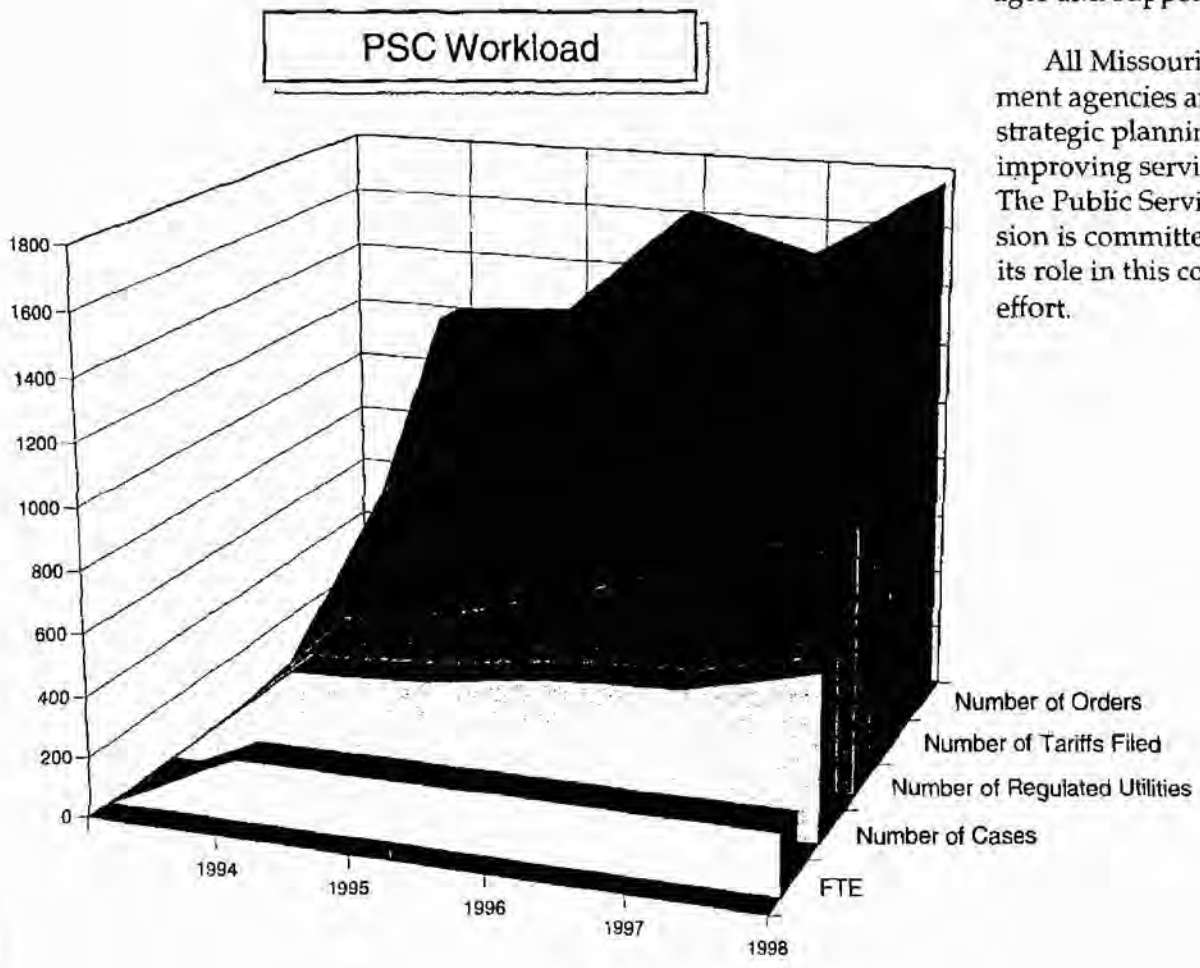
Staff Attorneys Blair Hosford and Keith Krueger cross-examine a witness during a hearing before the Commission.

Strategic Planning is more than words. It's a process that pushes an agency to define the results it wants to achieve and to be accountable for making progress. The Public Service Commission recognizes that *people*...not programs...are responsible for getting results, and it holds a set of *values* that assures its employees will truly serve the people of Missouri.

PUBLIC SERVICE COMMISSION VALUES:

- Empowered, responsible employees who have the authority and accountability to perform their jobs;
- Actively soliciting customer input to determine their needs;
- The constant pursuit of innovative approaches, procedures, programs and services to maximize customer satisfaction;
- Teamwork that improves the organization's efficiency and effectiveness;
- Employees who are knowledgeable, competent, loyal and professional;
- A work ethic that emphasizes honesty, fairness and trust; and
- An environment that encourages and supports diversity.

All Missouri state government agencies are involved in strategic planning aimed at improving services for citizens. The Public Service Commission is committed to fulfilling its role in this collaborative effort.



COMMISSIONERS

Current Commissioners who served during the 1998 fiscal year

SHEILA LUMPE

Chair

Sheila Lumpe is Chair of the Missouri Public Service Commission. She was appointed to the Missouri Public Service Commission on June 5, 1997, by Governor Mel Carnahan.

Prior to her appointment to the Commission, Chair Lumpe was chairman of the House Budget Committee of the Missouri House of Representatives. A nine term state representative, Ms. Lumpe represented St. Louis County in the Missouri House since first elected in 1980. In addition to chairman of the House Budget Committee, Ms. Lumpe also served on the following Legislative committees: Elections; Governmental Organization and Review; Joint Committee on Legislative Research; Utilities Regulation; and Ways and Means.

Chair Lumpe received a baccalaureate degree in government from Indiana University in 1957 and a masters degree in political science from the University of Missouri-St. Louis in 1989.

Chair Lumpe's term expires on April 15, 2003.



M. DIANNE DRAINER

Vice Chair

M. Dianne Drainer is the Vice Chair of the Missouri Public Service Commission. She was appointed to the Public Service Commission on July 3, 1995, by Governor Mel Carnahan. She was named Vice Chair of the Commission in February 1996.

Prior to her appointment to the Commission, Vice Chair Drainer was Manager of Research and Evaluation for the Missouri Department of Social Services. She previously served as Chief Telecommunications Economist and Public Utility Economist for the Office of the Public Counsel from 1986 to 1991.

Vice Chair Drainer serves as a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Finance and Technology. Commissioner Drainer serves as a member and First Vice President to the Mid-America Regulatory Conference (MARC). Commissioner Drainer is the Chair of the Electricity Roundtable, Vice Chair of the Natural Gas Roundtable and Co-Chair of the Telecommunications Roundtable at the PSC. Previously, she served as an observer to the NARUC Staff Subcommittee on Communications from 1986 to 1991 and was a member of the National Association of State Utility Consumer Advocates (NASUCA) from 1986 to 1991.

Vice Chair Drainer graduated from the University of Missouri-Columbia with a master of science degree in agricultural economics in 1979 and a bachelor of arts degree in economics in 1977.

Vice Chair Drainer's term expires on April 15, 2001.





HAROLD CRUMPTON
Commissioner

Commissioner Harold Crumpton was appointed to the Missouri Public Service Commission on May 3, 1993 by Governor Mel Carnahan.

Prior to his appointment to the Commission, Mr. Crumpton was employed by Southwestern Bell Telephone Company in its Network Operations in St. Louis. Mr. Crumpton had been with the telephone company from 1973 until 1992 when he took early retirement to pursue other career interests.

Commissioner Crumpton is a member of the National Association of Regulatory Utility Commissioners (NARUC) Committee on Gas. He also serves on the board of the Financial Research Institute of the University of Missouri-Columbia.

In 1996, Commissioner Crumpton developed, organized and chaired the Natural Gas Roundtable Discussion Group to foster open discussion of natural gas issues with citizens in all parts of Missouri. In 1998, he formed and currently co-chairs the Telecommunications Roundtable Discussion Group as a vehicle for including the General Assembly and Missouri citizens in the many diverse telecommunications proceedings of the Commission.

Mr. Crumpton earned his bachelor of science in chemistry from Washington University in St. Louis in 1971. In 1973, he received an M.B.A. in finance and production. He is currently pursuing a masters degree in telecommunications, and certification as a Certified Netware Engineer (CNE).

Mr. Crumpton's term expires on April 15, 1999.



CONNIE MURRAY
Commissioner

Commissioner Connie Murray was appointed to the Missouri Public Service Commission by Governor Mel Carnahan on May 2, 1997.

Commissioner Murray served as Representative of the 135th legislative district in the Missouri House of Representatives from 1991 through 1996. She was appointed House Manager of Articles of Impeachment of Missouri Secretary of State before the Missouri Supreme Court in 1994. She served on several committees, including Budget and Judiciary & Ethics. She was treasurer of Women Legislators of Missouri and a member of various national legislative organizations.

Commissioner Murray is a member of the Committee on Water of the National Association of Regulatory Utility Commissioners (NARUC). She serves on the Right to Know Working Group of the National Drinking Water Advisory Council. She chairs the Water Policy Roundtable of the Public Service Commission. She is Secretary of the Missouri Universal Service Fund Board and a member of the Advisory Council for the Center for Public Utilities, New Mexico State University.

Commissioner Murray earned her bachelor of arts degree in English literature from Loyola College in Baltimore, Maryland in 1975 and a juri doctorate in 1980 from the University of Maryland School of Law where she was Notes and Comments Editor of the Law Review.

Commissioner Murray's term expires on April 15, 2003.



ROBERT SCHEMENAUER
Commissioner

Commissioner Robert Schemenauer was appointed to the Missouri Public Service Commission on March 6, 1998, by Governor Mel Carnahan. Commissioner Schemenauer was appointed to replace Karl Zobrist who resigned on August 15, 1997.

Prior to his appointment to the Commission, Mr. Schemenauer was Director of the Division of Taxation and Collection for the Missouri Department of Revenue. He is a former member of the Missouri House of Representatives (1990-1993). While in the legislature, Mr. Schemenauer served as Vice Chair of the Ways and Means Committee and the Federal-State Relations Committee.

Commissioner Schemenauer served in the United States Air Force from 1953 until 1973.

Mr. Schemenauer has a B.S. degree in Administration and Accounting from Central Missouri State University. He is a Certified Public Accountant who was in private practice from 1982 until 1993.

Commissioner Schemenauer's term expires on January 4, 2001.

Commissioner who also served during the 1998 fiscal year



KARL ZOBRIST
Commissioner

Karl Zobrist was appointed Chair of the Missouri Public Service Commission by Governor Mel Carnahan in January 4, 1996 to fill the balance of a six-year term expiring on April 15, 2001. While at the Commission, Mr. Zobrist played a key role in the passage of Missouri's Telecommunications Reform Act, which was signed into law by Governor Carnahan on May 17, 1996.

Mr. Zobrist resigned on August 15, 1997.

KEY PERSONNEL

Sheila Lumpe, Chair 751-4221
M. Dianne Drainer, Vice Chair 751-3233
Harold Crumpton, Commissioner 751-0582
Connie Murray, Commissioner 751-4132
Robert Schemenauer, Commissioner 751-3243
Gordon L. Persinger, Acting Executive Director 751-7491

Administration Division
Donna M. Kolilis, Director 751-7492
Carol Althoff, Personnel Director 751-7508
Willis Doss, Manager - Computer Information Services 522-4370
Dan Redel, Manager - Internal Accounting Department 751-2457

Adjudication Division
Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge 751-2474
Nila Hagemeyer, Manager - Records Department 751-7496

Research & Public Affairs Division
Gordon L. Persinger, Director 751-7491
Janet Hoerschgen, Manager - Consumer Services Department 751-3160
Kevin Kelly, Information Officer 751-9300
Toni Messina, Legislative Coordinator 751-5472

General Counsel
Dana K. Joyce, General Counsel 751-8705

Utility Operations Division
Wess Henderson, Director 751-7435
Dale Johansen, Manager - Water and Sewer Department 751-7074
Bo Matisziw, Manager - Gas Department 751-2152
John Van Eschen, Manager - Telecommunications Department 751-5525
Bill Washburn, Manager - Electric Department 751-7505
Steve Jungmeyer, Manager-Manufactured Housing Department 751-7119

Utility Services Division
Robert Schallenberg, Director 751-7162
Ron Bible, Manager - Financial Analysis Department 751-8517
Joan Wandel, Manager - Accounting Department 751-4785
David Sommerer, Manager - Procurement Analysis Department 751-4356
Art Wimberley, Manager - Management Services Department 751-7439

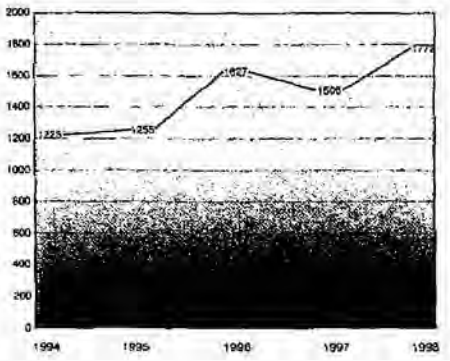
BUDGET

	Fiscal Year 1999
PUBLIC SERVICE COMMISSION	
Personal Service and/or Expense and Equipment	$12,151,644
Full-Time Employee (F.T.E.)	197
DEAF RELAY SERVICE AND EQUIPMENT DISTRIBUTION PROGRAM	3,500,000
F.T.E.	-0-
MANUFACTURED HOUSING DEPT.	
Personal Service	447,309 †
F.T.E.	8
TOTAL	**$16,098,953**
F.T.E.	**205**

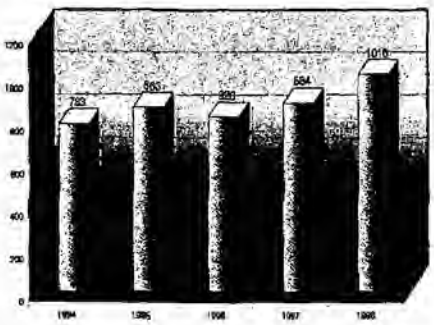
† Includes program specific distribution of $7,935 and $15,672 appropriated for Hotel Governor move.

UTILITY ISSUES

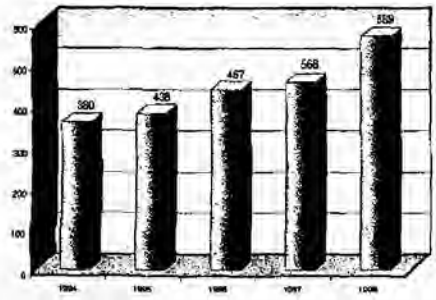
Orders Issued Per Year



PSC Cases Per Year



Tariff Filings Per Year



With continuing change in the utility industry, the workload at the Missouri Public Service Commission grows to keep pace as it evaluates and implements competition. Case and filing statistics indicate that the 1998 fiscal year was a record setting year for the Commission. New state and federal legislation as well as federal agency activity and the changing regulatory environment have required a large commitment of resources in order to stay abreast of developments and to influence national policy in Missouri.

New federal regulations in the natural gas and wholesale electric power markets, federal environmental legislation and growing competition in the telecommunications, natural gas and electric markets all account for an increase in the quantity and complexity of the Commission's workload.

Y2K Case Opened

In February 1998, the Commission initially addressed the Y2K issue. This issue involves computer systems capable of handling dates in the next century. The Commission surveyed all regulated utilities in Missouri to receive information on how those companies were preparing for the year 2000 (Y2K). The Commission continually monitored the companies to measure their progress on this issue.

A case was established by the Commission on August 18, 1998, to further evaluate utility company efforts to address the year 2000 (Y2K) issue. Numerous reports, including one study released by the U.S. Senate Special Committee on the Year 2000 and another undertaken by the National Research Institute, show some utility companies lagging behind in their preparedness for the change in millennia.

Commission Chair Sheila Lumpe noted: "It is clear that the first order of business is avoiding any interruption in utility service to Missouri citizens as we enter the new millennium."

The Commission determined the focus "must change from technical compliance to actual business readiness." This case was opened to "ensure that the utility industry remains ready to serve Missouri's citizens into the next century." It will also examine the preparedness of municipalities, cooperatives and all other utility entities which come under PSC jurisdiction.

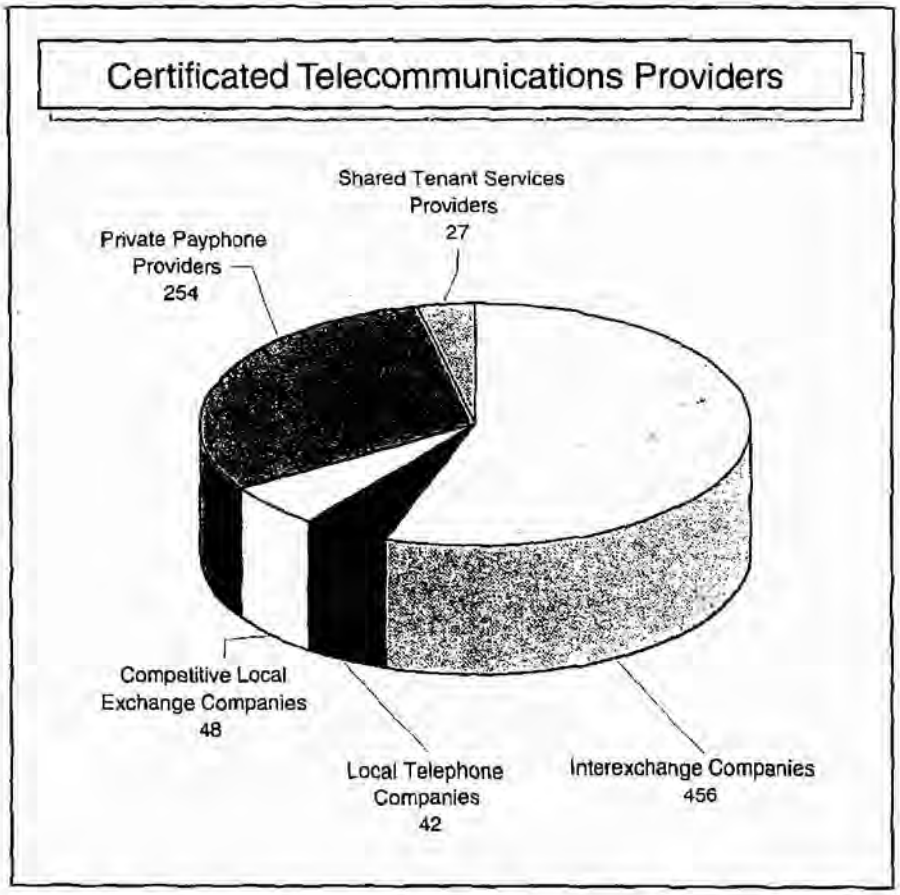
Detailed information from all affected utilities will be filed and thoroughly reviewed by the Commission and Staff as it works with utilities to avoid any disruption of utility service.

Roundtable Discussion Groups

The Missouri Public Service Commission has expanded the concept of the roundtable discussion groups to include the telecommunications, electric and water industries. Natural gas roundtables began in 1996 as a forum to provide an open exchange of ideas, opinions and information among various stakeholders. As a consequence, more

timely actions are taken and better and more informed decisions are made. Roundtables provide an opportunity for dialogue among the various stakeholders so that we can better serve Missouri ratepayers.

As a result of the success the Commission has had with the natural gas roundtables, discussion groups in the areas of electricity, telecommunications and water have been formed with the goal of providing dialogue with companies, special interest groups, legislators, the Office of the Public Counsel and other interested parties in order that we may better serve Missouri citizens.



TELECOMMUNICATIONS

New technology and open markets continue to bring changes to the telecommunications industry and the customers they serve. Because of technological advances, consumers now have greater opportunities to choose the type of services that meet their individual or special needs. In addition, competition is allowing consumers to choose not only their long distance carrier for virtually every long-distance call, but consumers are being given the option of choosing a provider for local telephone service.

LOCAL TELEPHONE COMPETITION

During the past year, the Commission granted 31 telecommunications providers certificates of service which gives them the authority to provide basic local exchange service in Missouri. The providers sought to offer local exchange telephone service in the exchanges of Southwestern Bell Telephone Company, GTE Midwest Incorporated and Sprint Missouri Incorporated.

The Commission has granted such certificates to a total of 62 providers. Among these providers approximately 25 companies have approved tariffs and interconnection agreements to provide basic local telephone service in competition with established local telephone companies. These companies serve approximately 53,700 lines in Missouri. This number represents approximately 1.6 percent of the total number of access lines in Missouri.



PSC staff member Myron Couch analyzing the effects of a recently installed telephone company Power Influence Neutralizing Transformer.

Southwestern Bell Meets Price Cap Regulation Standard

On September 16, 1997, the Missouri Public Service Commission determined Southwestern Bell Telephone Company met the statutory criteria for price cap regulation in Missouri. In reaching that decision, the Commission closely examined Senate Bill 507 which was passed by the Missouri General Assembly in 1996. That law provides that a large telephone company such as Southwestern Bell is eligible for price cap regulation when it has been determined by the PSC that an alternative local exchange telecommunications company has been certificated to provide basic local telecommunications service and is providing that service in any part of the large incumbent telephone company's service area.

Evidence presented showed that Dial US was providing local telephone service in the Springfield and Joplin areas.

Under price cap regulation, Southwestern Bell's current rates (those in effect on December 31, 1996) are the maximum rates the telephone company can charge until January 1, 2000. After that date, prices may increase or decrease according to two relatively conservative government price indexes, which are based on the prices of telephone service throughout the country. This standard should cause rate levels to remain affordable.

IntraLATA Equal Access

Missourian's have generally had the choice of long distance carriers for their 1+ InterLATA (between Local Access Transport Areas or LATAs) and interstate calls. Soon, a significant number of Missourian's should enjoy the opportunity to choose their long distance carriers for 1+ dialed IntraLATA (within a LATA) toll calls as well.

Sprint and GTE began the process of opening the IntraLATA toll market to dialing competition beginning in 1997. Southwestern Bell Telephone Company must open its 1+ IntraLATA market when it receives and exercises InterLATA long distance authority as prescribed by the Federal Telecommunications Act of 1996. A specific date for Southwestern Bell and remaining telephone companies to offer 1+ equal access has not yet be determined.

Community Optional Service (COS)

In order to encourage improved telecommunications services, to expand customer choices, to further foster the development of local telephone competition and to provide for intraLATA equal access, the Missouri Public Service Commission determined that an expanded calling scope program called Community Optional Service (COS) should no longer be a mandatory service offering and

should therefore be phased out.

When COS was implemented in 1991, telephone companies were required to offer the service to its customers if calling criteria were met in a petitioning exchange. With the advent of local telephone competition and intraLATA equal access, the Commission determined that it could no longer mandate that a local exchange telephone company offer two-way COS.

The Commission determined mandatory COS was inconsistent with the current competitive environment and acted as a barrier to entry for new competitive local exchange companies.

IntraLATA equal access allows a customer to choose the carrier of their choice to complete a long distance call within their LATA. Missouri is divided into four LATAs (the 314/573 area codes, the Jefferson City-Columbia market area, the 816/660 area codes and the 417 area code). Prior to equal access, one carrier was assigned to all customers in an exchange and if customers wanted to use an alternative carrier, they had to dial a special access code plus the area code plus the number to complete the call.

Expanded Calling Scopes

On February 18, 1998, the Commission established Case No. TW-98-356, "In the matter of a review of the technical and financial provisioning of calling scopes in a competitive environment." Several technical conferences have been held by the telephone industry, Commission staff and the Office of Public Counsel. A complete report on current and possible future expanded calling scopes for Missourian's was completed on October 17, 1998.

Telephone Number Shortage

To address the continuing telephone number shortage in Missouri, the Commission voted on July 22, 1998, to implement a geographic split to alleviate the exhaustion of available telephone numbers in the current 314 area code in eastern Missouri.

In its decision, the Commission determined the St. Louis principal zone as well as the exchanges of Spanish Lake, Florissant, Hazelwood, Bridgeton, Ferguson, Riverview, Overland, Creve Coeur, Ladue, Webster Groves, Kirkwood, Sappington, Mehlville and Oakville will retain the 314 area code as proposed by the Office of the Public Counsel. Exchanges such as St. Charles, Wentzville, Jonesburg, Washington, Union, DeSoto and Festus will receive the new area code.

It is anticipated permissive dialing will begin in early 1999 with mandatory dialing starting in late 1999.

The Telecommunications Department continues to meet with industry representatives investigating future number



Staff member J.C. Stock tests telephone equipment to ensure compliance with PSC quality of service standards.

resource needs throughout Missouri. The 417 area code covering the southwest portion of Missouri, the 573 area code covering the east-central portion of the state and the 660 area code covering the northwest portion of the state, have adequate number resources available for at least the next several years.



MISSOURI UNIVERSAL SERVICE FUND

In April the Commission approved a rule establishing guidelines for the Missouri Universal Service Fund. The fund, originally created as a result of state legislation, is intended to provide financial assistance to companies which serve high cost areas and qualifying low income/disabled customers. The fund also is anticipated to provide financial assistance to telecommunications companies that experience reduced federal universal service funding.

The Commission has scheduled additional proceedings which are designed to resolve details associated with the fund including selecting a fund administrator. The fund will be financially supported by all telecommunications companies providing telecommunications services in Missouri.

REVISE/UPDATE COMMISSION RULES

The Telecommunications Department is in the process of revising and updating all Commission rules pertaining to the regulation of telecommunications services. These revisions are seen as necessary to reflect the increased competitive nature of providing telecommunications services. Included in this effort is the establishment of revised rules for billing and disconnection practices of telecommunications companies, quality of service standards,

preventing unauthorized changes to a customer's telecommunications provider (slamming) and rules designed to ensure 911 data is distributed in a timely manner.

TELECOMMUNICATIONS ROUNDTABLE MEETINGS

In an effort to gain new ideas, educate and exchange information, the Missouri Public Service Commission has initiated a Telecommunications Roundtable. These Roundtable meetings are designed to provide an open forum to discuss emerging telecommunications issues in a non-confrontational setting. Companies, special interest groups, legislators, the Office of the Public Counsel and other interested parties are encouraged to attend these meetings which are held periodically throughout the year at various locations.

TELEMEDICINE USAGE SOARS

A visual telecommunications consultation between doctors located in different areas of Missouri provides quick, and sometimes life saving information to treat a patient. Since May of 1995, that valuable exchange of information has been available to medical personnel through the Missouri Telemedicine Network.

A report issued by the PSC Staff in 1998 indicates a dramatic growth in those using the Missouri Telemedicine Network. In some instances, usage has more than doubled over the past year.

	1995	1996	1997
Interactive Consultations	9	59	421
Teleradiology Consultations	412	1,551	2,866
Educational Programs	20	100	360

Interactive Consultations involve a patient and doctor at one site on the network consulting with a doctor at another site. A Teleradiology Consultation involves the transmission of x-rays from rural sites to the MU Health Sciences Center. Educational Programs primarily involve continuing education classes and graduate nursing programs.

EARNINGS INVESTIGATIONS

In fulfilling its obligation to ensure just and reasonable rates, the Missouri Public Service Commission Staff began investigations into the earnings of 11 local telephone companies in the state.

Tentative agreements between the Commission Staff and the involved local telephone companies could reduce those company's revenues by approximately $2,460,000. The involved telephone companies are Fidelity, Bourbeuse, Lathrop, Citizens, McDonald County, Goodman, Seneca, Oregon Farmers, Northeast Missouri Rural, Rock Port, Miller and LeRu.

The tentative agreements propose to reduce or adjust various rates, upgrade outdated facilities where necessary, and, in some cases, expand the customer's



Photo by Michael Clapp. Courtesy of MU Health Sciences Center.

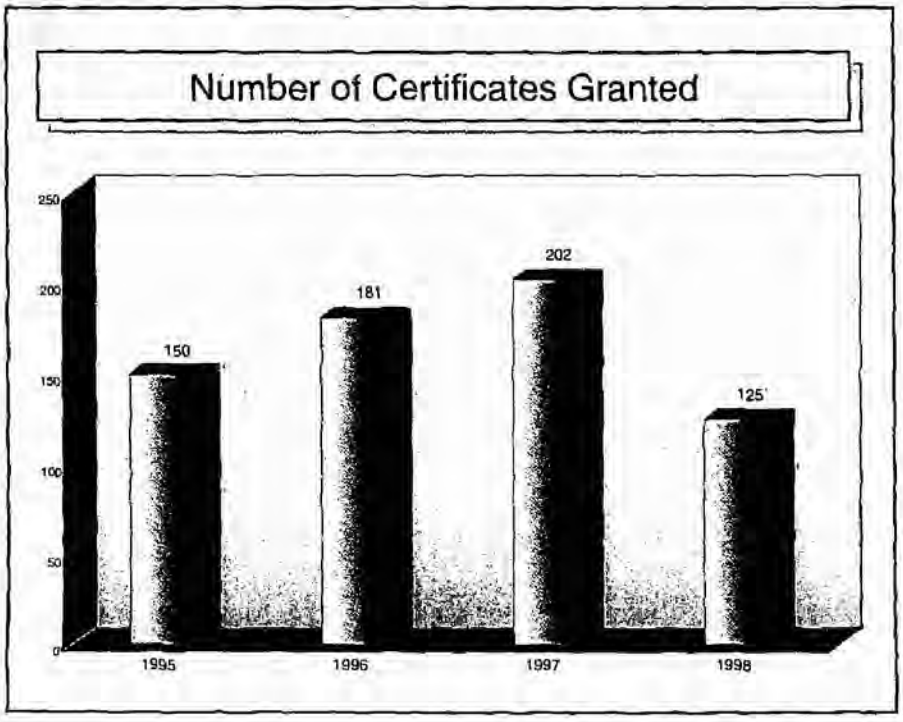
local calling scope. Some of the proposed rate adjustments concern the rates charged to long distance companies, toll rates, touchtone rates, 911 rates, custom calling rates, and local telephone rates.

CERTIFICATE APPLICATIONS/TARIFF FILINGS/CASE ACTIVITY

During the past year, the Commission approved 125 certificates of service authority to provide some form of telecommunications service. This number represents a decrease from prior years. To date, the Commission still sees steady growth in the number of telecommunications providers in Missouri.

The Commission addressed 680 proposed tariff filings by telecommunications companies during the past year. The number of telecommunications tariff filings received by the Commission and the number of telecommunications cases before the Commission continues to grow each year.

During the past year 431 telecommunications cases were filed with the Missouri Public Service Commission.



TECHNICAL SERVICES

Basic local telephone companies are close to eliminating party line service in Missouri. Currently there are approximately 3,800 customers on multi-party lines in the state. This number will be reduced to less than 1,000 by the end of 1998.

The Technical Services Section monitors the quality of telephone service in Missouri. During the past year, 88 more central offices were audited. In addition, strides have been made during the past year to completely update and revise the Commission's quality of service rules.

Some of these service quality reviews were performed by members of the Depreciation Department. This is part of the Commission's effort to cross train its employees to gain additional efficiencies.

NATURAL GAS

During the 1998 fiscal year, PGA changes reflecting wholesale gas costs changed only twice during the year for most local distribution company (LDC) systems in the state. Because of changes initiated earlier in the

year, the need for LDCs to file multiple changes to their PGA's during the year and the Missouri Public Service Commission's need to process these multiple PGA changes was reduced. As a result, consumer confusion was minimized and opportunities for billing errors were reduced.

This was the first year of the winter/summer filings to reflect changes associated with wholesale supplier rates.

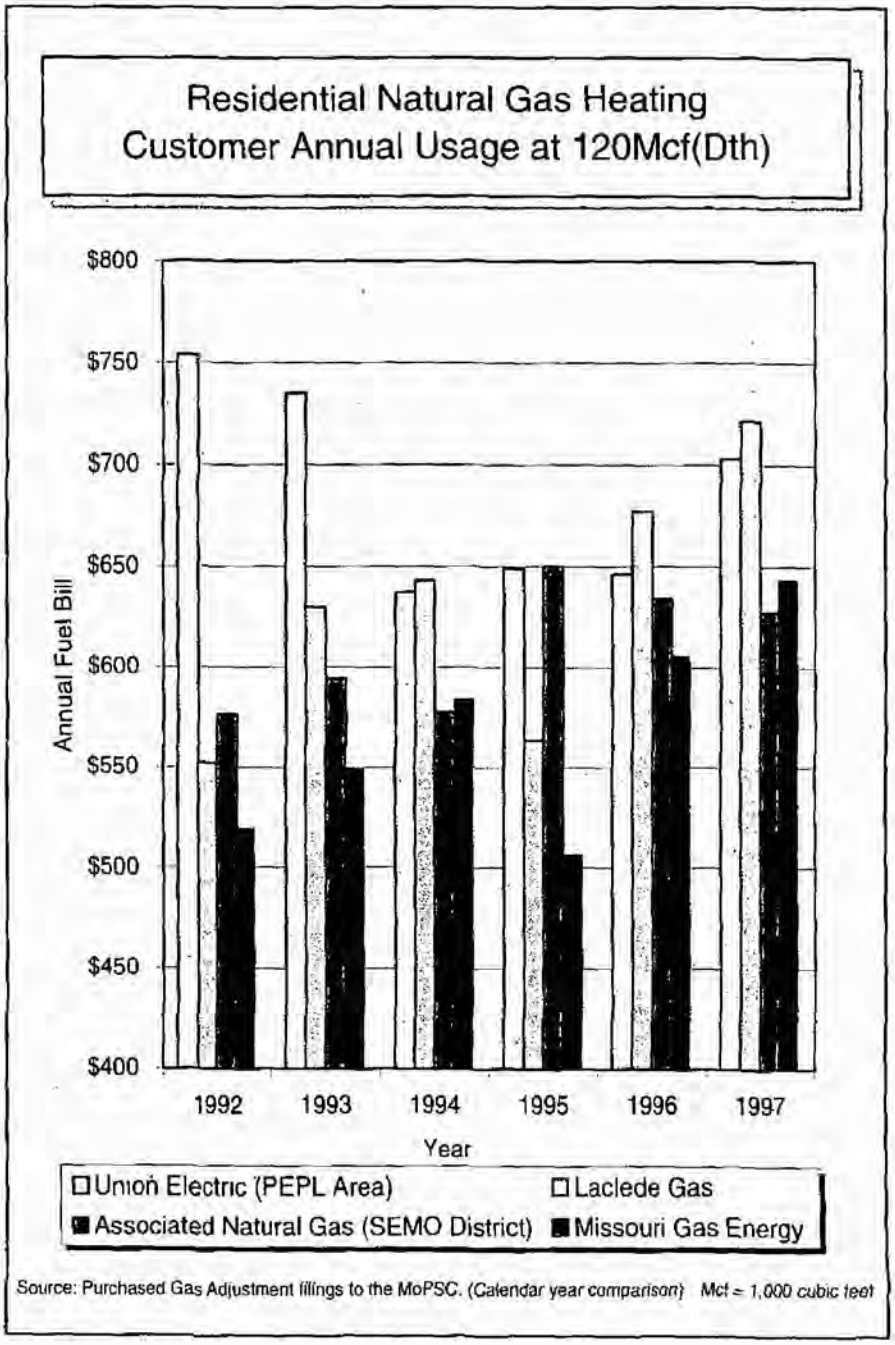
The final evaluation of how well this format worked will be known when the balances of the costs and recovery amounts are completely reported and audited.

NATURAL GAS ROUNDTABLES

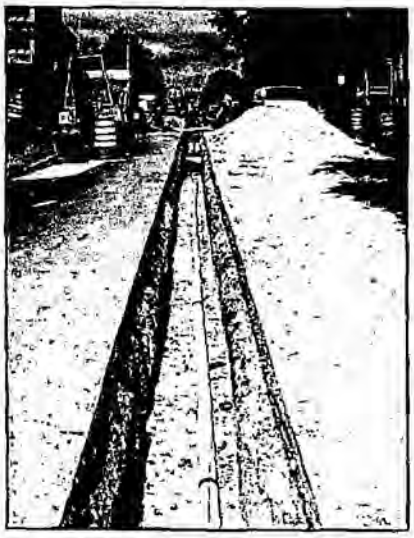
Roundtables have proven to be popular and beneficial to Missourians in addressing emerging issues and topics. One reason for their success is that they provide for an open exchange of ideas, opinions, and information among the various interested parties in a non-confrontational forum.

During the 1998 fiscal year, the Commission held two natural gas roundtables. In September 1997, a roundtable was held in Jefferson City, on ***Managing Consumer Energy Payment and Assistance in a Time of Change***. A second roundtable was held in Jefferson City in March, 1998. That roundtable was entitled ***Similarities/Differences of Gas And Electric Industry Restructuring***.

At the conclusion of each roundtable, a booklet of presentation material is compiled, printed, and sent to all attendees. Efforts began in this fiscal year to place roundtable meeting announcements and presentation materials on the PSC webpage **(http://www.ecodev.state.mo.us/psc/)** to enhance access of the materials by the general public.



Source: Purchased Gas Adjustment filings to the MoPSC. (Calendar year comparison) Mcf = 1,000 cubic feet



Expansion of natural gas service..... workers install new pipe.

Affiliated Transactions

The changing business environment has caused regulated utilities to form corporate affiliates to explore and venture into various unregulated businesses. To protect utility consumers, it is very important that the regulated portion of a company does not end up subsidizing or underwriting its unregulated affiliate. It is also important that the affiliate does not have an unfair advantage over possible competitors.

To address this issue, rules were drafted during the 1998 fiscal year which set forth financial and evidentiary standards and record keeping requirements applicable to any Missouri Public Service Commission regulated gas corporation when such gas corporation participates in transactions with an unregulated affiliated entity. Similar rules have been drafted to address activities related to gas marketing affiliates.

During the most recent legislative session, HB1038 was passed. The primary thrust of this bill was to put in place rules respecting the activities of regulated gas utilities when they participate in activities with a Heating, Ventilation, and Air Conditioning affiliate. Rules for these types of activities are currently in the process of being developed and promulgated.

Future Challenges In The Natural Gas Industry

As changes are made in other states and as efforts are pursued in restructuring the electric industry, the natural gas industry in Missouri will be affected. It is very important that the Commission maintain an awareness of the latest developments around the country and in related industries to make sure the best changes are made for Missouri's natural gas industry and its customers. Being able to accurately and quickly find out what customers want and combining that with what direction the industry needs to take will be the challenge for the Commission in the months and years ahead.

Expansion Of Natural Gas Service

Interest in natural gas service continues to grow. Recently the City of Hamilton began the process of developing and building a municipally owned natural gas system in Hamilton. Once completed, this will bring to 42 the number of municipal gas operators in the state. While the Commission does not have rate setting authority over municipal operators, it does have pipeline safety jurisdiction.

Williams Gas Pipelines-Central started an interstate pipeline project to bring gas to the St. Louis area. The project involves the conversion of an existing liquids line to natural gas service. This conversion project requires the construction of approximately 12 miles of new pipeline in Boone County. These facilities do not fall under Commission jurisdiction even though they will be used primarily to serve a St. Louis gas company.

ANNUAL GAS SAFETY SEMINAR

Through a very successful cooperative effort between the Missouri Public Service Commission's Gas Safety/Engineering Section and the Missouri Association of Natural Gas Operators, a pipeline safety seminar was held at the Lake of the Ozarks in August 1997.

This seminar brings together natural gas operators, consultants, federal and state pipeline safety regulatory personnel, as well as suppliers of products and materials used in the natural gas industry.

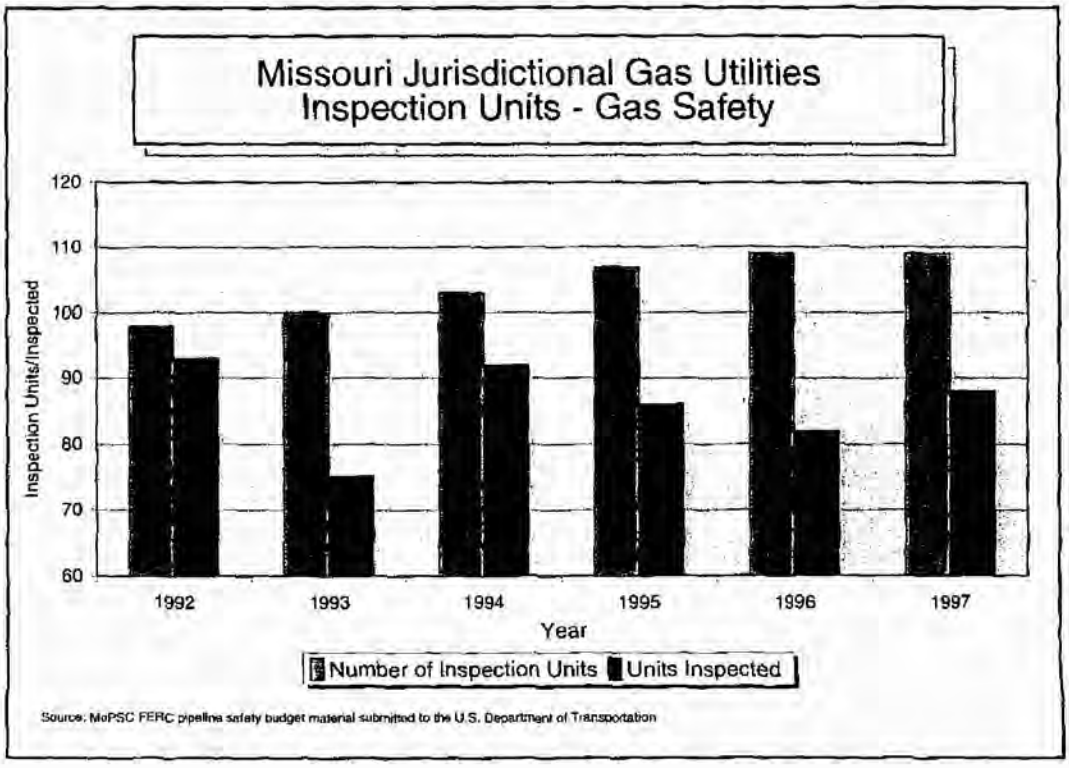
Informative technical and educational presentations were provided during the three day seminar. This safety seminar is held annually and continues to grow in popularity and attendance. In fiscal year 1998, approximately 260 people attended.

PIPELINE SAFETY RULEMAKING

During the 1998 fiscal year, the Commission undertook efforts to update its pipeline safety rules to adopt various Federal amendments as well as to clarify and refine its own State specific rules. This was the first time that changes were made to the Missouri Public Service Commission pipeline safety rules since its major effort in 1989 to develop rules for the State's operators, which were more stringent than the Federal rules. The draft regulations were published in the May 15, 1998 *Missouri Register*.

LEGISLATION TO INCREASE PENALTIES FOR VIOLATIONS OF PIPELINE SAFETY RULES

The Commission again pursued efforts during the 1998 Legislative session to increase the civil penalty amounts for violations of the Commission's pipeline safety regulations. The proposed legislation would have increased the penalties from the current maximum amount of $2,000 per violation per day to $10,000 per violation per day. The Missouri Public Service Commission's penalty amount has remained unchanged





Staff members John Amerman and Bob Leonberger checking the corrosion protection level on the pipeline.

since 1919 at $2,000 and is currently not in compliance with the Federal penalty requirements.

The Commission receives a grant from the U. S. Department of Transportation-Office of Pipeline Safety (OPS) for approximately 40% of the cost of the operation of the Commission's Pipeline Safety program. As a condition of that grant, the Commission is expected to have monetary penalties substantially the same as Federal law. Even though the Federal penalty amount is presently at $25,000 per offense, OPS expects the States receiving pipeline safety grants to have penalties of at least $10,000.

Federal Activities

Decisions by the Federal Energy Regulatory Commission (FERC) directly impact Missouri ratepayers since Missouri's natural gas local distribution companies (LDCs) must use FERC-regulated interstate pipelines for delivery of their natural gas supplies. The Missouri Public Service Commission believes its involvement in FERC and related judicial proceedings is necessary to ensure that Missouri natural gas customers receive reliable service at reasonable rates.

While there are 10 interstate pipelines directly serving Missouri with an additional six or so upstream pipelines utilized by Missouri LDCs, the Missouri Public Service Commission actively participates in various rate and tariff proceedings of Mississippi River Transmission Corporation (MRT), Panhandle Eastern Pipe Line Company (Panhandle), and Williams Gas Pipelines-Central (Williams). These three pipelines provide service to the majority of the state's natural gas customers.

The PSC supported an appeal which sought review of FERC's decision to limit Kansas producers' liability for refunds of ad valorem taxes. The favorable outcome of that appeal should yield an estimated additional $60 million in refunds to Missouri customers starting in 1998. Although many producers object to paying large portions of these refunds, the Missouri PSC continues to take the necessary legal and regulatory actions to pursue refunds owed to Missouri customers.

A rehearing request is pending regarding the Federal Energy Regulatory Commission's September 30, 1997 order which agreed with the Missouri PSC's assertion that Williams imprudently entered into gas purchase contracts which are costing Missouri customers approximately $6 million a year.

In a related case where the Missouri PSC again challenged Williams' recovery of gas supply realignment (GSR) costs, an initial decision was issued on June 18, 1998 which indicated approximately half of Williams' GSR costs are ineligible for recovery from customers. If these rulings stand, Missouri customers will be entitled to refunds of GSR costs that have been improperly paid by them since 1994. They will also avoid having to pay similar charges in the future.

The Missouri Public Service Commission has also challenged various Williams GSR cost allocation and billing issues which also

affect the amount of GSR costs paid by Missouri customers. In the spring of 1998, FERC responded to some of the Missouri PSC's concerns by requiring Williams to make a modification to its billing method which is more equitable and fair to Missouri's LDCs. The Missouri PSC protested Williams' proposed increase in the amount of GSR costs (from 90% to 95%) allocated to firm transportation customers. A hearing on this matter was held in mid-1998 and parties await an initial decision.

On August 1, 1997, FERC issued an order regarding Williams' base rates for the period November 6, 1993 through July 31, 1995, which disallowed $26 million to $31 million of Williams' proposed annual revenue requirement. However, on July 29, 1998, FERC modified its rate of return policies which has the effect of returning $19.5 million to Williams for this 22-month period. Since the Missouri PSC actively participated in this rate case hearing, it has requested a rehearing of the FERC decision.

During the fall of 1997, in two miscellaneous MRT dockets, the Missouri PSC was able to save Missouri customers nearly $400,000.

The Missouri PSC has continued to actively participate in the certificate and initial rate proceedings for Kansas Pipeline Company (KPC). In May of 1998, the FERC allowed KPC to establish initial rates which are significantly higher than what the Missouri PSC and other parties to the case believed to be reasonable. Rehearing of the FERC order has been sought.

ELECTRIC

The national debate on the restructuring of the electric industry is continuing at both the national and state level. Several states have implemented plans that permit customers to choose their suppliers of electricity. Some allow full scale restructuring to all customer classes while other states are proceeding at a slower pace by allowing a selected group of customers to choose their suppliers.

The Commission is actively participating in the debate at both the federal and state levels while closely monitoring restructuring activities in other states. In May of 1997, the Commission appointed a 35-member task force to focus on retail electric competition. The task force focused on five crucial areas of restructuring - Market Power and Structure, Reliability, Stranded Costs, Consumer Information and Protection and Legal issues. A final task force recommendation along with reports in these five areas was filed with the Commission in May of 1998.

Any decision to implement restructuring in Missouri would require changes in current Missouri Law. The Commission has provided information to legislative subcommittees about restructuring the electric industry in Missouri and looks forward to continued interaction with the General Assembly as the Governor and General Assembly make decisions regarding how electric restructuring in Missouri will proceed.



PSC staff member Lena Mantle analyzing electric usage in a rate case.

RESIDENTIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	15.1	1
Rhode Island	14	2
New York	13.9	3
Alaska	11.4	10
California	11.2	11
Pennsylvania	9.3	13
U.S. Avg.	8.27	
Iowa	7.5	25
Kansas	7.4	26
Wisconsin	6.8	35
Missouri	6.3	43
Kentucky	5.6	48
Washington	5.1	50
Idaho	5	51

COMMERCIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	13.7	1
New York	11.4	4
Rhode Island	10	8
Alaska	9.5	10
California	9	11
Pennsylvania	8.3	12
U.S. Avg.	7.49	
Iowa	6.3	31
Kansas	6.3	32
Wisconsin	5.5	43
Missouri	5.3	46
Kentucky	5.2	47
Washington	5.1	48
Idaho	4.3	51

INDUSTRIAL		
State Name	Avg. Revenue (cents/kWh)	State Rank
Hawaii	10.5	1
Alaska	8.4	3
Rhode Island	8.3	4
California	6	10
Pennsylvania	5.9	11
New York	5.1	15
Kansas	4.5	20
U.S. Avg.	4.44	
Missouri	3.8	36
Wisconsin	3.7	39
Iowa	3.6	42
Washington	2.9	49
Kentucky	2.7	50
Idaho	2.4	51

Electricity Rates

The efforts of Missouri's electric utilities and the PSC have benefited all classes of Missouri customers with low electricity rates. The U.S. Energy Administration, a non-partisan office in the federal Department of Energy, annually ranks the states according to their average rates in cents per kilowatt hour. For 1997, Missouri's electric rates for residential, commercial and industrial customers were better than the national average (see tables on this page).

Merger Activities: Kansas City Power and Light Company

In late May 1997, Western Resources, Inc. and Kansas City Power & Light Company (KCPL) filed an application with the PSC seeking Commission approval to merge the two companies. Under the proposed merger, KCPL would be merged with Western Resources. KCPL's Missouri customers would be served by Westar Energy - KCPL, a subsidiary of Western Resources.

The Joint Applicants maintain the proposed merger is not detrimental to the public interest in that the combined financial strength, lower operating costs and "synergies" of the merged companies will benefit ratepayers, stockholders and employees alike.

The shareholders of KCPL voted overwhelmingly to approve the merger in late June 1998. This case is currently pending before the Commission.

Rate Reduction: Missouri Public Service, a division of UtiliCorp, Inc.

Electric customers in the service territory of Missouri Public Service (MPS) saw a rate reduction in March 1998, when the Commission ordered Missouri Public Service, a division of UtiliCorp United, Inc. to implement a rate decrease of $16.9 million. This order culminated an earnings investigation conducted by the PSC staff that resulted in the staff filing a complaint seeking a reduction in rates and a request by MPS for an increase in earnings of approximately $25 million.

Electric rates dropped by approximately 6.3%. This reduction resulted in a monthly savings of approximately $4.35 for the typical residential customer.

Earnings Investigation: St. Joseph Light and Power Company

The PSC staff completed a preliminary audit of St. Joseph Light and Power Company (SJLP) in late June of 1998 and filed a complaint with the Commission. Staff estimates that a complete audit of SJLP will show that SJLP's earnings should be reduced by up to $8 million.

This case is currently pending before the Commission.

Rate Design Review: Union Electric Company

Restructuring of the electric industry is likely to result in

customers paying costs of supply energy that are directly attributable to that class of customer. This is also the objective of the current rate design review of Union Electric Company d/b/a AmerenUE. The PSC staff, AmerenUE, the Office of Public Counsel and various intervenors are working together to review the allocation of AmerenUE's costs to customer classes. The design of rates is also being examined to determine if they send appropriate cost messages to customers. This review will result in recommendations in the Spring of 1999 for rates that more accurately reflect the price that AmerenUE pays for various components to serve its customers and a reduction in subsidization of various customer classes by other customer classes based on the costs incurred by each customer class.

AmerenUE Electric Bill Credits

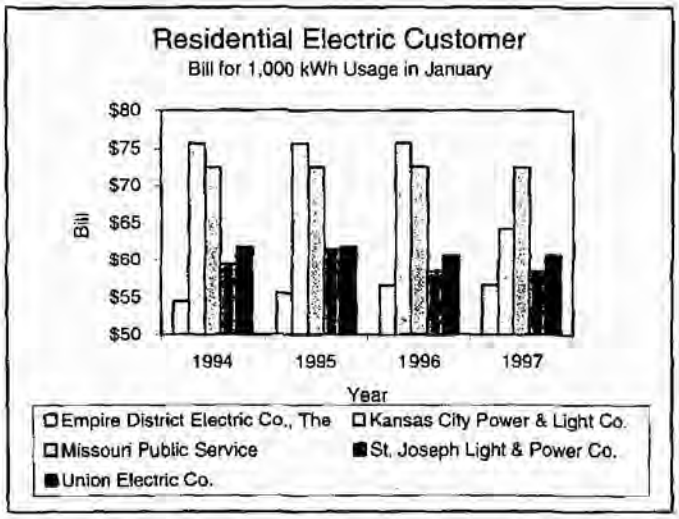
On July 1, 1998 the Commission approved a one-time bill credit of approximately $18 million for customers of AmerenUE. This bill credit represented the second year of an experimental alternative regulation plan approved by the Commission for AmerenUE in 1995. A typical residential customer received a bill credit of $6.20 during the third quarter of 1998. This bill credit follows a bill credit of $13.50 for a typical residential customer in the first quarter of 1997.

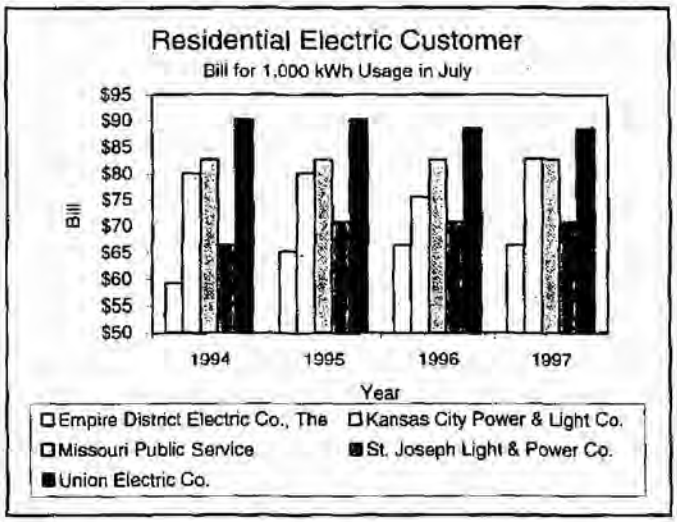
Under the plan, customers will benefit from the efficient operations of the company by sharing in company earnings if those earnings reach a certain level.

Territorial Agreements

On October 3, 1997, Ozark Border Electric Cooperative and the City of Poplar Bluff filed a territorial agreement in three areas of Butler County. No current customers will be changed. The agreement covers how facilities and customers will be changed if the suppliers decide to exchange customers in the future. Hearings were held on December 23, 1997, and an order approving the agreement was issued on December 31, 1997.

On January 5, 1998, AmerenUE and Gascosage Electric Cooperative filed a territorial agreement to cover portions of Camden, Miller, Maries, Pulaski and Phelps Counties. No customers were exchanged as a result of the agreement. The agreement defines the service territory between the applicants. Hearings were held on May 14, 1998. The Commission issued an order approving the agreement on June 11, 1998. On May 13, 1998, Farmers Electric







Mike Proctor and Steve Dottheim of the Commission staff testify before the Missouri Legislature on electric restructuring issues.



PSC engineers Leon Bender and David Elliott inspecting a boiler at KCPL's Hawthorne power plant.

Cooperative and AmerenUE filed an application for a territorial agreement in portions of Caldwell, Carroll, Chariton, Clinton, Davies, DeKalb, Linn, Livingston and Ray Counties. This agreement involves the transfer of approximately 160 Farmers customers to AmerenUE in the Brookfield area and approximately 250 customers from AmerenUE to Farmers in the Pattonsburg area. The Commission approved the territorial agreement in September 1998.

Price Spikes

During late June, 1998, the Midwest part of the country experienced sharp price increases in wholesale electric power. Missouri electric companies under PSC jurisdiction do not have a procedure to pass higher costs on to its customers absent the filing of a general rate case. The PSC staff was very active in monitoring these costs during this unusually hot spell in the Midwest.

Electric Roundtables

In September of 1998, the Missouri Public Service Commission announced the formation of an Electricity Roundtable Discussion Group which will examine the future of the electric industry in Missouri in light of the potential for electric restructuring in the near future. The Commission is continuing a process already underway with the natural gas, water and telecommunications roundtable discussion groups by including electric representatives and all interested parties in an open forum so that the Commission and the electric industry can better serve the ratepayers of Missouri.

Roundtables should be viewed as opportunities to grow, learn and work together and have as a goal achieving some level of understanding of important electricity issues as they affect Missouri.

Water & Sewer Department

The Water and Sewer Department staff conducts routine field inspections of all PSC regulated water and sewer companies. Staff normally conducts these inspections on a regularly scheduled basis; however, they also conduct inspections in conjunction with audits of company requests for rate relief and during investigations of customer service complaints. The purpose of these investigations is to determine:

- the overall condition of the systems;
- the appropriateness of the supply, storage and distribution facilities;
- the quality of service that the companies are providing; and
- whether the systems are operating in compliance with Commission rules and Department of Natural Resources (DNR) regulations.

Staff personnel also work with the DNR regarding companies' compliance with environmental regulations. While the DNR has primary jurisdiction over the enforcement of federal/state environmental regulations, the Water and Sewer Department

works closely with regulated companies to ensure that they make necessary system improvements in the most cost effective manner possible.

These aspects of the field inspection program will become even more important as federal and state regulations and enforcement policies are changed. While such changes will affect all regulated firms to some degree, they will have a much greater monetary impact on smaller companies and their ratepayers.

As in the past, the PSC continues to experience a growth in the number of certificate applications filed by new water and sewer utilities established to serve residential developments. Another trend in the industry is the consolidation of small water and sewer companies with larger regulated utilities or with unregulated municipalities or public districts. Many of these small utilities have experienced financial or operational problems. The PSC's role in such matters is to determine whether the sale of the company is in the public interest, where the promise of better service is often coupled with imminent rate increases.

EIERA Loan Program

In 1992, the Missouri Environmental Improvement and Energy Resources Authority (EIERA) and the PSC established a small water and sewer company revolving loan program. Currently, EIERA has seven outstanding loans to small water and sewer companies that were not able to borrow money from any other source. The interest rate on these loans was fixed at the prime rate when the loan closed. The companies must use their loan proceeds from this program for capital improvements in water or sewer system facilities that are necessary for the company to continue to provide safe and adequate service.

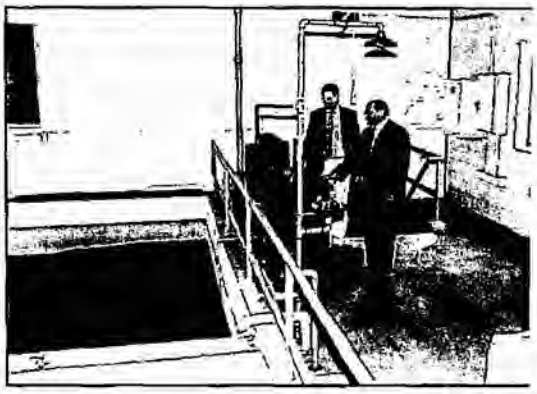
However, Staff believes that additional resources are needed to address the continuing and increasing needs of small companies that require substantial capital improvements to meet and comply with state and federal environmental standards. It is hoped that additional monies will be made available through the EIERA/PSC loan program or through other revolving loan programs that the DNR administers.

In many cases, Missouri's small water and sewer utility companies are not financially strong enough to secure the funds necessary to make the required capital improvements. Without some form of assistance, these companies may not be able to meet the DNR's water and wastewater standards or to continue to provide safe and adequate service to their customers.

Water Roundtable Discussion Group

The water industry has unique characteristics which separate it from other utilities. As a result, the Commission announced the formation of a Water Policy Roundtable Discussion Group which will examine the future of the water industry in Missouri.

Some of the important issues which will be explored by the group include aging infrastructure, Safe Drinking Water Act require-



Staff member Jim Merciel and United Water Missouri manager John Hollenbach review water plant filter control operations.

SERVICE QUALITY



Lisa Kremer of the PSC Staff discusses audit findings with an official of AmerenUE.

ments and consumer education. The first Water Policy Roundtable Discussion Group met on October 15, 1998.

MANAGEMENT SERVICES DEPARTMENT

The Management Services Department's (MSD) mission is to develop, enhance and support utility management practices which provide quality services to customers and effective cost control of critical resources such as capital, technology and people.

Management Services staff work actively to:

- Educate utilities on:
  Strategic Planning
  Financial Management
  Customer Services
  Automation
  Documentation
  Human Resources
- Identify strengths and weaknesses in present utility management practices and regulatory processes and recommend improvements.
- Maintain communications with utilities to promote a free exchange of information, ideas and experiences.
- Provide on-site management services to support and promote effective management practices.

Missouri utilities realized savings of over $18 million on an ongoing basis as a result of the implementation of recommendations from management audits. These savings will not only result in reduced rates to Missouri customers but will also increase the quality of the utility services provided to them. In addition, there are benefits of MSD recommendations that are not quantifiable but produce real improvements, such as more effective record keeping and better automation.

Major projects of MSD staff include:

- A review of the actions taken by Missouri Gas Energy (MGE) to identify and refund money to customers who were overbilled during the 1996-97 winter heating season and made progress reports to the Commission regarding review findings.
- An in-depth review of MGE's actions to make changes to the Company's customer billing system to prevent billing errors from occurring and to improve the quality of services provided to customers.
- Participation in MGE's rate case and development of testimony concerning the company's billing practices and the company's actions to implement automated meter reading technology.
- A review of Kansas City Power & Light's customer service systems, procedures and practices.
- A review of AmerenUE's customer service systems, procedures and practices.

MSD staff also participated in a number of other diverse projects that included strategic planning, a review of affiliated transactions at GTE Midwest Incorporated, the Task Force on Electric Restructuring and a review of administrative policies.

ORGANIZATIONAL FUNCTIONS

EXECUTIVE DIRECTOR

Gordon L. Persigner, Acting Executive Director

The Executive Director is the PSC's chief operations officer. The Executive Director is responsible for the overall administrative functions and the policy direction of the Staff. The Executive Director also serves as the primary liaison between the Commissioners and the Staff.

ADJUDICATION DIVISION

Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge

The Secretary/Chief Regulatory Law Judge is responsible for the statutory obligations of the Secretary of the Commission.

A staff of full-time regulatory law judges is utilized to meet the procedural demands of the large volume of contested cases filed with the Commission. Each case is assigned an regulatory law judge on a rotational basis. The regulatory law judge prepares the necessary orders for the Commission's issuance which are required to comply with notice and procedural due process requirements to afford full and fair hearings to the parties on matters before the Commission.

It is the duty of the regulatory law judge to take a case through the hearing and post-hearing process and to draft proposed orders based upon the evidence of record.

ADMINISTRATION DIVISION

Donna M. Kolilis, Director

The Administration Division is responsible for managing the fiscal, personnel, and information resources of the agency. This Division oversees budget development, internal accounting, procurement, staff services, personnel, payroll and training functions for the agency.

GENERAL COUNSEL

Dana K. Joyce, General Counsel

The Office of the General Counsel represents the Staff and Commission in all matters relating to Missouri utility regulation. Its duties consist of traditional legal work and include providing advice, upon request, to the Commission and each Commissioner. The Office also represents the Commission in actions involving questions under the PSC or other laws, the defense of Commission orders or decisions and, as directed or authorized by the Commission, the intervention in related proceedings and the prosecution of actions on behalf of the state as authorized by law.

Research and Public Affairs Division
Gordon L. Persinger, Director

The Research and Public Affairs Division assists the Missouri Public Service Commission in the achievement of its statutory goals by providing research, technical support and assistance to the Commissioners in matters related to the regulation of utility companies. Research members in the group analyze issues in proposed cases before the Commission, federal and state legislation and handle special projects as requested. The Division is also responsible for handling customer complaints against regulated utilities which are received by the Commission. The Commission's Public Information Office and the staff member responsible for analyzing and advising the Commission on legislative activities are also part of this division.

Utility Operations Division
Wess Henderson, Director

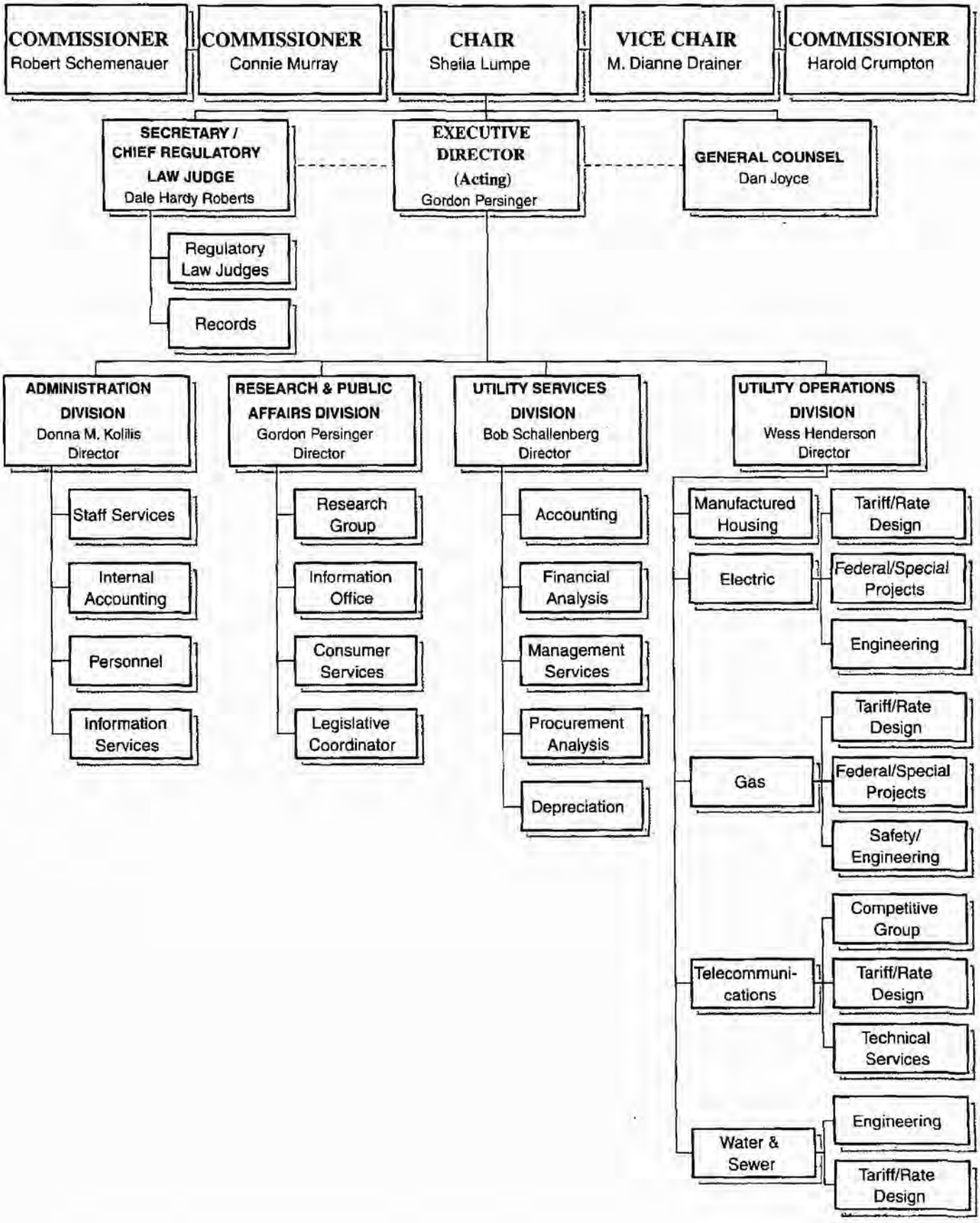
The Utility Operations Division is comprised of five departments: Telecommunications, Electric, Gas, Water and Sewer, and Manufactured Housing. It supports the Commission in meeting its statutory responsibilities by providing technical expertise in energy safety; utility rates, tariffs, rules and regulations; economic analysis; engineering oversight and investigations; and construction inspections. The Utility Operations Division also has oversight of the Manufactured Housing Department's regulation of manufactured home dealers and recreational vehicle dealers operating in Missouri. The division accomplishes its mission by making recommendations to the Commission in the form of expert testimony and formal recommendations.

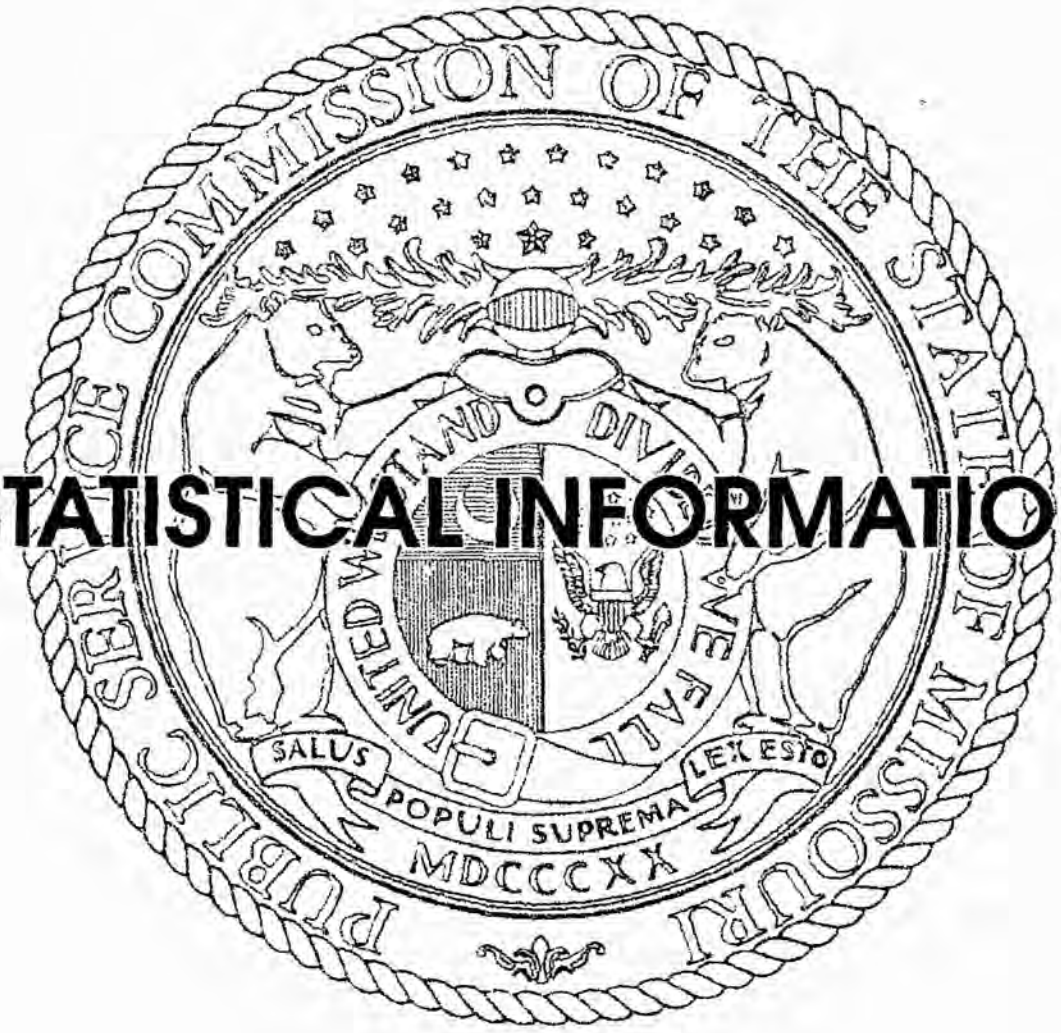
Because of its diverse responsibilities, the Utility Operations Division retains a professional staff with expertise in accounting, economics, finance and engineering.

Utility Services Division
Robert Schallenberg, Director

The Utility Services Division consists of five departments and supports the Commission by providing technical expertise in utility finance, accounting and auditing, natural gas procurement, depreciation analysis and management services. Staff members assigned to the Division accomplish their mission by performing audits and/or reviews of the books and records of the utilities. Staff draws conclusions from these findings and makes recommendations to the Commission in the form of expert testimony and formal recommendations. The Division is also responsible for investigating and responding to consumer complaints and making recommendations to the Commission regarding their resolution.

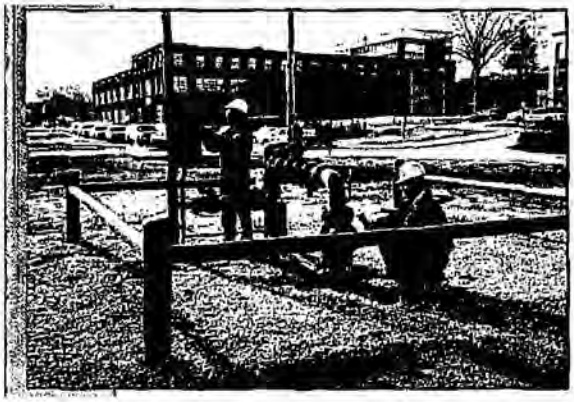
MISSOURI PUBLIC SERVICE COMMISSION ORGANIZATIONAL CHART





STATISTICAL INFORMATION

YEAR IN REVIEW



1997

JULY 16

PSC issues decision which authorizes The Empire District Electric Company to increase electric revenues by approximately $10.6 million. When the electric company filed its request on August 30, 1996, it sought to increase electric revenues by $23.4 million a year.

JULY 31

PSC adopts Federal Communications Commission (FCC) method for determining discounts to schools and libraries for intrastate telecommunications services.

JULY 31

PSC issues decision in which Missouri Gas Energy will refund to its customers approximately $15 million.

AUGUST 7

Chairman Karl Zobrist announces resignation effective August 15, 1997.

AUGUST 13

Territorial agreement between Union Electric Company d/b/a AmerenUE and Consolidated Electric Cooperative approved.

AUGUST 19

Governor Mel Carnahan appoints Sheila Lumpe as Chair of the PSC.

SEPTEMBER 10

Federal Energy Regulatory Commission (FERC) orders natural gas producers to refund an estimated $500 million for gas produced in Kansas in the 1980s and sold interstate at rates that included a Kansas ad valorem tax (property tax) including interest on refunded amounts.

SEPTEMBER 11

PSC approves agreement which authorizes The Empire District Electric Company to increase electric revenues by approximately $3 million to reflect addition of Empire's State Line Combustion Turbine II electric generating facility.

SEPTEMBER 16

PSC determines Southwestern Bell meets requirements to go under price cap regulation in Missouri.

SEPTEMBER 16

Commission rejects The Empire District Electric Company's pilot open access program.

SEPTEMBER 18

PSC approves agreements reached in complaint cases against Missouri Gas Energy.

OCTOBER 3

Missouri Gas Energy files a $27.8 million natural gas rate case with the Public Service Commission.

OCTOBER 17

PSC determines it can no longer mandate that local exchange telephone companies provide an extra-exchange calling program called Community Optional Service (COS).

NOVEMBER 6

PSC reaches decisions in water and sewer rate cases filed by the Missouri-American Water Company. Under the decisions, water revenues will increase by approximately $2.7 million, sewer revenues by approximately $3,100 a year. When Company filed its cases, it sought to increase water revenues by approximately $4.2 million, sewer revenues by approximately $6,500 a year.

NOVEMBER 12

PSC opens case to explore new opportunities for Missouri citizens wishing to access the Internet.

NOVEMBER 17

PSC announces restructuring of the administrative functions of its Executive Secretary and Chief Regulatory Law Judge. Cecil Wright becomes Executive Director while Dale Hardy Roberts is appointed Secretary/Chief Regulatory Law Judge.

DECEMBER 3

PSC reaches decision in Associated Natural Gas Company rate case, granting an increase of approximately $1.5 million. Company sought an increase of approximately $3.7 million when it filed its case with the Commission.

DECEMBER 4

PSC reaches decision in St. Louis County Water Company rate case, granting an increase of approximately $3.8 million. Company sought an increase of approximately $8.2 million when it filed its case with the Commission.



DECEMBER 10

PSC reaches decision which grants a natural gas rate increase of approximately $11.5 million a year for Union Electric Company d/b/a AmerenUE. Company sought an increase of approximately $14.3 million when it filed its request with the Commission.

DECEMBER 31

PSC approves territorial agreement between the City of Poplar Bluff and Ozark Border Electric Cooperative.



1998

JANUARY 28
PSC approves GTE's unlimited one-way Extended Exchange Calling Plan (EECP).

FEBRUARY 6
PSC establishes Missouri Universal Service Fund.

FEBRUARY 27
Laclede Gas Company files a $25.4 million natural gas rate case with the Missouri Public Service Commission.

MARCH 6
Governor Mel Carnahan names Robert Schemenauer to the Missouri Public Service Commission.

MARCH 6
PSC reaches decision in Missouri Public Service electric rate case. Company sought to increase annual electric revenues by approximately $25 million. The Commission's decision reduced the Company's annual electric revenues by approximately $17 million.

MARCH 12
PSC orders the phase-out of the Primary Toll Carrier Plan.

APRIL 3
PSC releases statistics which show a dramatic increase in the use of telemedicine in Missouri.

APRIL 19
Mandatory dialing begins in the new 660 area code in western Missouri.

MAY 1
Telecommunications roundtable discussion group formed.

JUNE 11
Territorial agreement between Union Electric Company d/b/a AmerenUE and Gascosage Electric Cooperative approved.

RATE CASE DECISIONS DURING FISCAL YEAR 1998

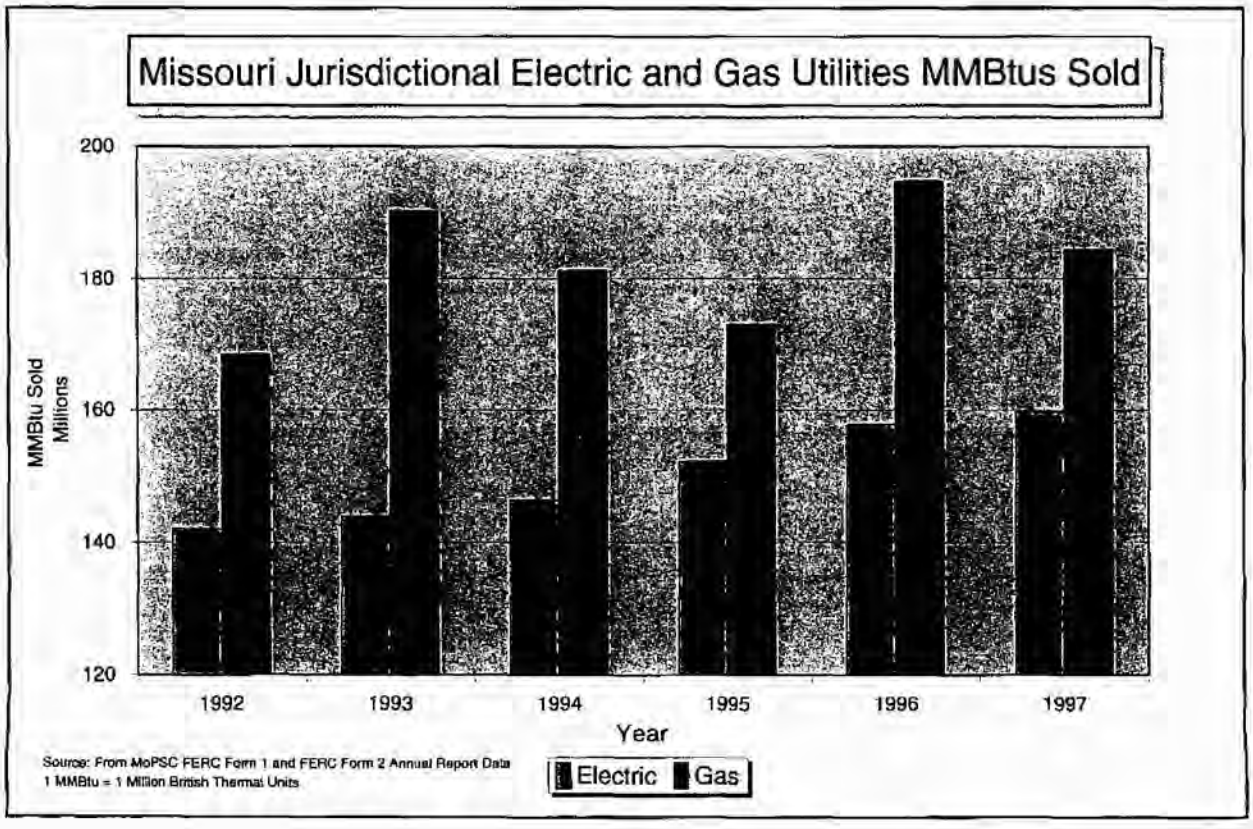
ELECTRIC

Date of Order	Case No.	Company	Rate Request	PSC Decision
7/16/97	ER-97-81	Empire District Electric	$23,400,000	$10,600,000
9/11/97	ER-97-81	Empire District Electric		$3,000,000[1]
3/6/98	ER-97-394	Missouri Public Service	$25,000,000	($17,000,000)

[1] Agreement approved reflecting addition of Empire's State Line Combustion Turbine II

NATURAL GAS

Date of Order	Case No.	Company	Rate Request	PSC Decision
12/3/97	GR-97-272	Associated Natural Gas	$3,700,000	$1,500,000
12/10/97	GR-97-393	Union Electric	$14,300,000	$11,500,000



WATER & SEWER

Date of Order	Case No.	Company	Rate Request	PSC Decision
11/6/97	WR-97-237	Missouri-American Water Co.	$4,200,000	$2,700,000
11/6/97	SR-97-238	Missouri-American Water Co.	$6,460	$3,100
12/4/97	WR-97-382	St. Louis County Water Co.	$8,200,000	$3,800,000

SMALL WATER & SEWER

File Number	Company	Effective Date	Amount
9600691	Central Jefferson County (water operations)	06/27/98	$14,796
9700150	R.D.E. Water	Withdrawn by Company	N/A
9700307	Central Jefferson County (sewer operations)	09/01/97	$30,970
9700403	West Elm Place Sewer	02/01/98	$85,000
9700429	House Springs Sewer	08/01/97	($19,457)
9700476	Midland Water	08/09/97	$6,718
9700506	Incline Village Water & Sewer (water operations)	No Increase Granted	N/A
9700508	Gladlo Water & Sewer (water operations)	09/01/97	$1,138
9700509	Gladlo Water & Sewer (sewer operations)	09/01/97	$2,726
9700576	Village Water & Sewer (water operations)	Withdrawn Due to Sale of System to Water District	N/A
9700577	Village Water & Sewer (sewer operations)	11/01/97	$13,000
9700701	Loma Linda Water Company	No Increase Granted	N/A
9700749	Cat-Pac Waterworks	No Increase Granted	N/A
9700816	Frimel Water Company	04/01/98	$740
9800061	LTA Water Company	04/01/98	$3,801

TELEPHONE STATISTICS

COMPANY	ACCESS LINES	EXCHANGES
Southwestern Bell Telephone Co., St. Louis	2,442,520	166
GTE Midwest, Inc., Columbia	435,384	208
United Telephone Co. d/b/a Sprint, Jefferson City	265,118	79
ALLTEL Missouri Service Corp., Little Rock, Ark.	57,183	60
Fidelity Telephone Co., Sullivan	14,811	9
Grand River Mutual Telephone Corp., Princeton	14,300	32
Chariton Valley Telephone Corp., Bucklin	7,318	18
Cass County Telephone Co., Peculiar	6,600	6
Kingdom Telephone Co., Auxvasse	4,752	7
Steelville Telephone Exchange, Inc., Steelville	4,350	4
Mark Twain Rural Telephone Co., Hurdland	4,200	14
Northeast Missouri Rural Telephone Co., Green City	4,075	11
Citizens Telephone Co., Higginsville	3,940	3
Modern Telecommunications Co., Green City	3,745	3
Mid-Missouri Telephone Co., Pilot Grove	3,540	12
Green Hills Telephone Corp., Breckenridge	3,493	13
BPS Telephone Co., Malden	3,474	3
McDonald County Telephone Co., Pineville	3,280	3
Seneca Telephone Co., Seneca	2,975	4
Granby Telephone Co., Granby	2,861	2
Craw-Kan Telephone Cooperative, Inc., Girard, Kansas	2,417	6
Ozark Telephone Co., Seneca	2,119	2
Ellington Telephone Co., Ellington	1,849	5
Goodman Telephone Co., Goodman	1,800	2
Rock Port Telephone Co., Rock Port	1,658	2
KLM Telephone Co., Rich Hill	1,400	4
Stoutland Telephone Co., Stoutland	1,357	2
Lathrop Telephone Co., Princeton	1,350	1
Le-Ru Telephone Co., Stella	1,250	2
Iamo Telephone Co., Coin, Iowa	1,142	4
Oregon Farmers Mutual Telephone Co., Oregon	1,130	1
Miller Telephone Co., Miller	1,047	1
New London Telephone Co., New London	996	1
Orchard Farm Telephone Co., St. Charles	754	1
Mo-Kan Dial, Inc., Louisburg, Kansas	743	1
Holway Telephone Co., Maitland	560	2
Choctaw Telephone Co., Halltown	525	1
New Florence Telephone Co., New Florence	470	1
Peace Valley Telephone Co., Peace Valley	400	1
Alma Telephone Co., Alma	352	1
Farber Telephone Co., Farber	238	1
TOTAL	**3,311,476**	**699**

Note: Access Lines in use as of July 1, 1998. Billed access lines would be somewhat less.

NATURAL GAS UTILITIES STATISTICS

CALENDAR YEAR 1997 (MISSOURI JURISDICTIONAL)

Name of Company		Mcf Sold 1997	Total Operating Revenues ($)	Total Number of Residential Customers	Total Numbe of Customers
Associated Natural Gas Co.	(1)	7,835,026	40,187,298	40,933	46,866
Fidelity Natural Gas, Inc.		185,197	549,266	746	869
Greeley Gas Co.	(2)	53,504	414,052	504	565
Laclede Gas Co.		90,826,667	549,569,470	580,190	618,859
Missouri Gas Energy	(3)	63,370,874	395,830,922	419,161	480,077
Missouri Public Service	(4)	5,613,791	44,379,340	39,669	44,723
St. Joseph Light & Power Co.		877,908	5,481,083	5,450	6,302
Southern Missouri Gas Co., L.C.	(5)	735,959	4,702,451	4,786	5,159
Union Electric Co.		12,666,880	80,157,729	92,780	104,230
United Cities Gas Co.	(2)	2,328,516	16,102,327	13,675	15,473
Totals:		184,494,322	$ 1,137,373,938	1,197,894	1,323,123

Source: MoPSC FERC Form 2 1997 Annual Reports (Missouri Jurisdictional)

Intrastate Pipelines		Mcfs Delivered	Revenue ($)	Transportation Customers
Missouri Gas Co.	(6)	1,572,000	1,881,091	12
Missouri Pipeline Co.	(7)	15,452,000	5,675,988	14
Totals:		17,024,000	$ 7,557,079	

(1)-Associated Natural Gas Co., a division of Arkansas Western Co.

(2)-Greeley Gas Co., a division of Atmos Energy Corp.

(2)-United Cities Gas Co., a division of Atmos Energy Corp.

(3)-Missouri Gas Energy, a division of Southern Union Co.

(4)-Missouri Public Service, a division of UtiliCorp United, Inc.

(5)-Southern Missouri Gas Co., L.C., Tartan Energy Co.,L.C.

(6)-Missouri Gas Co., a division of UtiliCorp Pipeline Systems, Inc.

(7)-Missouri Pipeline Co., a division of Utilicorp Pipeline Systems, Inc.

ELECTRIC UTILITIES STATISTICS

CALENDAR YEAR 1997 (MISSOURI JURISDICTIONAL)

Name of Company		MWhs Sold 1997	Total Operating Revenues 1997	Total Number of Residential Customers	Total Number of Customers
Citizens Electric Corp.		792,965	$ 40,547,181	20,233	22,373
Empire District Electric Co., The		3,206,485	$ 172,150,865	101,465	121,653
Kansas City Power & Light Co.		8,150,815	$ 505,669,294	223,563	256,132
Missouri Public Service	(1)	4,126,169	$ 280,607,373	168,051	192,898
St. Joseph Light & Power Co.		1,577,322	$ 83,337,190	54,621	61,445
Union Electric Co.	(2)	28,922,881	$1,820,762,390	945,607	1,080,061
TOTALS:		46,776,637	$2,903,074,293	1,513,540	1,734,562
Grand MMBtu		159,602,014			

Source: 1997 Annual Report

(1) - Missouri Public Service, a Division of UtiliCorp United, Inc.
(2) - Union Electric Company d/b/a AmerenUE

STEAM UTILITIES STATISTICS

CALENDAR YEAR 1997 (MISSOURI JURISDICTIONAL)

Name of Company	MMBtus Sold 1997	Total Operating Revenues 1997	Total Number of Residential Customers	Total Number of Customers
St.Joseph Light & Power Co.	1,745,048	$ 6,174,867	0	6
Trigen-Kansas City District Energy Corp.	897,506	$ 8,824,521	0	83
Union Electric Co.	*	$ 502,841	0	1
TOTALS:	2,642,554	$15,502,229	0	90

Source: Utility supplied data

* Billed on energy use & monthly fee

WATER STATISTICS

CALENDAR YEAR 1997 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	CUSTOMERS
CLASS A	
Clarence Cannon Whsl. Water Comm.	13
Empire District Electric Co.	4,275
Missouri American Water Co.	90,616
Raytown Water Co.	6,742
St. Louis County Water Co.	301,386
Tri State Utility Co.	2,355
United Water Missouri, Inc.	10,291
U. S. Water/Lexington, Mo., Inc.	2,265
CLASS B	
Noel Water Co.	589
Ozark Shores Water Co.	1,025
The Meadows Water Co.	995
CLASS C	
Capital Utilities, Inc.	394
Four Seasons Water & Sewer Co.	14
I. H. Utilities, Inc.	689
Incline Village Water & Sewer Co.	188
KMB Utility Corp.	788
Loma Linda Development, Inc.	210
Middlefork Water Co.	2
Osage Water Co.	272
Ozark Mountain Water Co.	339
Rex Deffenderfer Enterprises, Inc.	831
Riverside Utility Co.	456
Silverleaf Resorts, Inc.	387
Taney County Utilities Corp.	560
Terre Du Lac Utilities Corp.	998
CLASS D	
Argyle Estates Water System	48
Camelot Utility Co.	228
Cat-Pac Waterworks, Inc.	136
Cedar Hill Estates Water Co.	171
Central Jefferson County Util.	294
Emerald Pointe Utility Co.	56
Evergreen Lake Water Co.	66
Foxfire Utility Co.	175
Franklin County Service Co.	33
Franklin County Water Co.	145
Frimel Water Systems, Inc.	72
Gladlo Water & Sewer Co.	61

NAME OF COMPANY	CUSTOMERS
CLASS D (CONTINUED)	
Hickory Hills Water & Sewer Co.	46
Highway H. Utilities, Inc.	252
Hillcrest Utilities, Inc.	175
Kimberling City Water Co.	107
Lake Northwoods Utility Co.	18
Lakeland Heights Water Co.	124
Lakewood Manor Limited	31
LTA Water Co.	85
McCord Bend Water Co.	85
Midland Water Co.	50
Missouri Utilities Co.	134
Moore Bend Water Co.	99
Oakbrier Water Co.	42
Peaceful Valley Service Co.	158
Port Perry Service Co.	144
Public Funding Corp. of Ozark, MO	184
Quail Run Water & Land Co.	77
Riverfork Water Co.	34
Roark Water & Sewer, Inc.	67
Rogue Creek Utilities	102
Roy L. Utilities, Inc.	56
Shell Knob Estates Utilities, Inc.	49
S K & M Water & Sewer Co.	213
South Jefferson County Util. Co.	158
Spring Valley Estates Water Sys.	112
Spokane Highlands Water Co.	24
Stockton Hills Water Co.	144
Suburban Water Co.	151
Swiss Villa Utilities, Inc.	84
The Willows Utility Co.	208
Valley Woods Water Co.	6
Whispering Hills Water System	52
White River Valley Water Co.	130
Wilden Heights Water Co.	21
Woodland Heights Utilities, Inc.	68
Woodland Manor Water Co.	86

SEWER STATISTICS

CALENDAR YEAR 1997 (MISSOURI JURISDICTIONAL)

NAME OF COMPANY	CUSTOMERS
CLASS A	
Imperial Utility Corp.	2,764
West Elm Place Corp.	4,209
CLASS B	
Capital Utilities, Inc.	1,225
House Springs Sewer Co.	952
CLASS C	
Cedar Hill Utility Co.	545
Central Jefferson County Util.	294
Four Seasons Lake Sites Sewer Co.	14
Foxfire Utility Co.	175
KMB Utility Corp.	188
Meramec Sewer Co.	750
Ozark Water & Wastewater Mgm't	421
Silverleaf Resorts, Inc.	507
Terre Du Lac Utilities Corp.	958
CLASS D	
Batson Development Co.	252
Cannon Home Association	New
Eastern Missouri Utilities Co.	3
Emerald Point Utility Co.	56
Franklin County Service Co.	48
Gladlo Water & Sewer Co.	61
Hickory Hills Water & Sewer Co.	44
Highway H. Utilities, Inc.	51
Hillcrest Utilities, Inc.	175
Incline Village Water & Sewer Co.	174
L W Sewer Corp.	185
Lake Hannibal Sewer Corp.	22
TBJ Sewer System, Inc.	New

NAME OF COMPANY	CUSTOMERS
CLASS D (CONTINUED)	
Lake Northwoods Utility Co.	18
Lincoln County Utilities Co.	128
Mill Creek Sewers Inc.	74
Missouri American Water Co.	102
Missouri Utilities Co.	133
M.P.B. Inc.	71
P.C.B. Inc.	284
Peaceful Valley Service Co.	143
Port Perry Service Co.	80
Roark Water & Sewer, Inc.	56
Rogue Creek Utilities	102
Roy L. Utilities, Inc.	53
Schell Sanitation Inc.	187
Shell Knob Estates Utilities, Inc.	44
S K & M Water & Sewer Co.	96
South Jefferson County Util. Co.	120
Southwest Sewer Corp.	0
S. T. Ventures, LLC	32
Stoddard County Sewer Co.	152
Swiss Villa Utilities, Inc.	83
Taney County Utilities Corp.	77
Taneycomo Highlands, Inc.	10
The Meadows Water Co.	266
The Willows Utility Co.	208
Timber Creek Sewer Co.	50
Valley Woods Water Co.	6
Village Water & Sewer Co., Inc.	91
West 16th Street Sewer Co.	93
Woodland Heights Utilities, Inc.	68
WPC Sewer Co.	47

CONTACTING THE PSC

The Missouri Public Service Commission offices are located in Kansas City, Jefferson City and St. Louis. The Commission is open from 8:00-12:00 noon and 1:00-5:00 p.m., Monday through Friday, except on state holidays.

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